

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 General Services Capital Plan report on 29 August 2017 (Section 2.1)
- Information on further additions to the Capital Plan for approval (Section 2.2);
- Update on the gross and net debt outstanding position in comparison with the previously agreed debt cap (Section 3);
- Update on the capital fund (Section 4).

2 Rephasing and New Projects

2.1 Rephasing & Projects previously approved

The General Services Capital Plan presented to Council on 29 August 2017 allowed, over the period 2017/18 to 2021/22, for expenditure of £126.157 million, funding of £81.981 million, and a total borrowing requirement of £44.176 million.

Expenditure and income forecasts covering the period of the plan have been rephased to reflect the most recent information available and to reflect new projects as noted in the Quarter 2 report to Council on 8 November 2017.

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

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
Expenditure	31,757	27,451	31,505	27,962	11,389	130,064
Funding	19,369	23,457	18,121	12,655	10,037	83,639
Borrowing Required	12,388	3,994	13,384	15,307	1,352	46,425

2.2 Projects presented at today's Council meeting for approval

The following projects are being presented to Council on today's agenda for approval in the General Services Capital Plan:-

- **Hopefield Schools Joint Campus:-** Increase in capital expenditure budget of £1.885 million reflecting inclusion of Early Years provision and joint campus approach; part funded by Scottish Government Early Years Grant (£0.963 million) and part-funded by £0.922 million of prudential borrowing. Due to change of use to Joint Campus, removal of £5.254 million of developer contributions and therefore an increase in prudential borrowing required of £5.254 million;
- **School Estate Capacity and Pupil Intake Limits School Session 2018-19:-** provision sum of £1.130 million of capital costs for the provision of modular units and internal reconfigurations to Burnbrae, Mayfield and St. David's Primaries;
- **Automated Public Conveniences:-** £0.289 million of capital costs for the provision of new automatic self cleaning, opening and closing public conveniences in Bonnyrigg, Dalkeith and Penicuik, to be fully funded by prudential borrowing.

The inclusion of these projects, if approved by Council today, will revise 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 presented at today's Council meeting 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
Expenditure	31,830	29,597	32,590	27,962	11,389	133,369
Funding	19,329	21,251	17,226	11,863	9,679	79,348
Borrowing Required	12,501	8,346	15,364	16,099	1,710	54,021

3. Overall Cap on Debt Outstanding

The projected level of gross debt outstanding, based on the expenditure and income assumptions outlined in Table 2, is shown in the table below.

Including forward funded projects (where the Council incurs capital expenditure which is expected to be funded by future developer contribution receipts), the projected level of net debt outstanding is also shown in table 3 below.

Table 3: Debt outstanding net of any forward funded projects

Item	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£000's	£000's	£000's	£000's	£000's
Debt Outstanding 01 April	113,739	122,357	126,655	137,968	149,701
Borrowing arising from Capital Plan	12,501	8,346	15,364	16,099	1,710
Debt Repayments	-3,883	-4,048	-4,051	-4,366	-4,644
GROSS Debt Outstanding 31 March	122,357	126,655	137,968	149,701	146,768
Less: Net debt on Forward Funded projects	-5,773	-5,570	-6,413	-6,865	-5,678
NET Debt Outstanding 31 March	116,584	121,085	131,555	142,837	141,089
Agreed Cap	124,000	124,000	124,000	124,000	124,000
Headroom	7,416	2,915	-7,555	-18,837	-17,089

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 £18.837 million and remain £17.089 million above the cap in the year ended 31 March 2022. A fuller review of the General Services Capital Plan is scheduled for the Council meeting on 13 February 2017. That review will include a reassessment of the debt cap position.

4. Capital Fund

The Capital Fund at the start of the 2017/18 financial year was £16.707 million. Capital Receipts of £7.807 million are forecast to be received in 2017/18, and will be transferred to the capital fund. This will increase the balance in the Capital Fund to £24.514 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 £21.384 million.

5. Report Implications

5.1 Resource

The borrowing required to finance the planned investment in 2017/18 to 2021/22 is currently £52.891 million.

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.

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.

As noted in Section 3, the projected level of debt outstanding exceeds the cap and this 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/Business Applications equipment) currently included in the capital plan. The impact of the Learning Estate Strategy is yet to be fully quantified and is therefore currently not included in the plan, further exacerbating this risk. In order to mitigate this risk officers, through the creation of a Capital Plan and Asset Management Board will review the emerging financial implications of the 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.

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 Services Issues

There are no Digital Services implications arising from this report.

6 Recommendations

Council is asked to:

- a) Approve the inclusion of (a) a provision sum of £1.130 million for Modular Units: Session 2018/19; and (b) £0.289 million for Automated Public Conveniences; in the General Services Capital Plan and (c) note the change to the project budget and funding arrangement for the Hopefield Primary School project;
- b) Approve the revised expenditure and funding levels in the General Services Capital Plan 2017/18 to 2021/22 (as shown in appendices 1 and 2).

Date 11 December 2017

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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

GENERAL SERVICES CAPITAL PLAN	2017/18	2018/19	2019/20	2020/21	2021/22	Total
2017/18 to 2021/22	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE						
Resources	12,919	8,947	13,958	19,601	10,108	65,532
Education, Community & Economy	18,510	15,762	12,186	6,111	1,079	53,648
Health & Social Care	197	988	447	150	203	1,984
Council Transformation	205	3,900	6,000	2,100	0	12,205
Total Approved Expenditure	31,830	29,597	32,590	27,962	11,389	133,369
FUNDING						
Government Grants	10,543	9,940	8,977	8,096	8,096	45,651
Government Grants - Others	1,190	489	0	0	0	1,680
Receipts from Sales transferred to Capital Fund	7,807	170	8,700	0	0	16,677
Transfer from Capital Fund to Capital Plan	-7,807	3,730	-2,700	2,100	0	-4,677
Developer Contributions	2,424	2,628	2,249	1,667	1,583	10,552
Other Contributions	5,172	4,293	0	0	0	9,465
Total Available Funding	19,329	21,251	17,226	11,863	9,679	79,348
Approved Borrowing Required	12,501	8,346	15,364	16,099	1,710	54,021

Appendix 2

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

GENERAL SERVICES CAPITAL PLAN	2017/18	2018/19	2019/20	2020/21	2021/22	Total
2017/18 to 2021/22	Budget	Budget	Budget	Budget	Budget	Spend
	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES						
Customer Services						
Front Office - Device & Interactive Asset Upgrades	312	143	0	0	0	454
Back Office - Anti Virus Upgrades	0	49	26	0	0	75
Network Enterprise - Network Connection	0	0	0	0	0	0
Network Enterprise - Network Assets (Power & Data)	182	44	0	0	0	226
IGS - Compliance - Data Encryption	0	15	8	0	0	23
IGS - Compliance - PCI	39	0	0	0	0	39
Disaster Recovery	0	0	0	26	14	40
Service Desk - ITMIS Service Improvement	80	0	0	0	0	80
Committee Management System	3	0	0	0	0	3
Paperless Meetings	16	0	0	0	0	16
Business Application Upgrades inc. mobile working	139	0	0	0	0	139
Interactive White Board Replacement	474	0	0	0	0	474
SWAN Programme	517	0	0	0	0	517
New GoreGlen & Bilston Digital Assets	67	0	0	0	0	67
Newbattle Centre for Excellence in Digital Industries	297	160	0	0	0	457
Digital Services Asset Management Plan	0	1,645	2,496	2,355	2,264	8,759
Commercial Operations						
Street Lighting Upgrades	1,111	650	1,000	1,000	1,350	5,111
Street Lighting LED Upgrade (Salix Funded)	0	0	0	0	0	0
Footway & Footpath Network Upgrades	493	325	500	500	675	2,493
Road Upgrades	1,901	975	1,500	1,500	2,025	7,901
Zero Waste Capital Contribution	0	0	0	7,380	0	7,380
Cycling, Walking & Safer Streets Projects	79	108	102	94	122	505
Footpath Lighting: Bonnyrigg Bypass to Gorton Road	83	44	0	0	0	127
B6482 Newbattle/Easthouses Road Cycleway	54	29	0	0	0	84
A6094: Bonnyrigg Bypass Cycleway & Toucan Crossing / R	49	26	0	0	0	75
Ironmills Park Steps	21	0	0	0	0	21
New recycling facility - Penicuik	244	0	0	0	0	244
Vehicle & Plant Replacement Programme	2,867	2,200	1,707	2,957	2,226	11,958
Electric Vehicles - Powerpoint Installation	64	0	0	0	0	64
Grass Cutting Machinery	142	0	0	0	0	142
Geogrid - Barleyknowe Lane	43	0	0	0	0	43
20mph Limits	0	0	0	0	0	0
Vogie Car Parking Barriers	17	0	0	0	0	17
King George V Park Outdoor Fitness Equipment	4	0	0	0	0	4
Gore Glen Bing	1	0	0	0	0	1
Easthouses Lily Stand	5	0	0	0	0	5
Outdoor Play Equipment - Rosewell	32	17	0	0	0	49
Outdoor Play Equipment - Gorebridge	84	45	0	0	0	129
Westerhaugh Bridge	30	6	-6	0	0	30
Property & Facilities						
Stobhill Depot Upgrade	568	0	0	0	0	568
New Depot: EWIM Phase III	188	1,162	5,519	2,788	83	9,740
Straiton Bing Site Investigation	2	0	0	0	0	2
Property Upgrades inc. Lighting/Lightning	1,723	1,000	1,000	1,000	1,350	6,073
Midlothian House 3rd Floor Reconfiguration	122	0	0	0	0	122
Purchase of 7 Eskdail Court, Dalkeith	243	0	0	0	0	243
Purchase of 49 Abbey Road, Dalkeith	215	0	0	0	0	215
Purchase of 31 Jarnac Court, Dalkeith	1	0	0	0	0	1
Hillend Freestyle Jump Slope Upgrade	208	0	0	0	0	208
Purchase 9/11 White Hart Street	98	53	0	0	0	150
Primary 1-3 Free School Meals	0	0	0	0	0	0
Leisure Management System (Legend)	102	63	4	0	0	169
Automated Public Toilets	0	188	101	0	0	289
TOTAL RESOURCES	12,919	8,947	13,958	19,601	10,108	65,532

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
EDUCATION, COMMUNITY AND ECONOMY	Budget	Budget	Budget	Budget	Budget	Spend
Early Years	£'000	£'000	£'000	£'000	£'000	£'000
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 inc. 1140 hours	0	142	142	142	142	567
Primary					0	
New Bilston Primary	239	0	0	0	0	239
New Gorebridge North Primary	236	0	0	0	0	236
Paradykes Primary Replacement	7,215	1,229	0	0	0	8,444
Roslin Primary Replacement	1,270	533	0	0	0	1,803
Former Hopefield Primary School	300	5,714	4,630	970	0	11,613
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
Secondary						
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
General		0				
Online Payments for Schools (Parent Pay)	39	39	10	0	0	87
PPP1 Land Acquisition	27	0	0	0	0	27
Saltersgate Alterations Phase II	124	0	0	0	0	124
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 - Session 2017/18	1,279	688	0	0	0	1,967
Modular Units - Session 2018/19	73	701	356	0	0	1,130
Children and Families						
Planning & Development						
Environmental Improvements	209	209	0	0	0	418
Borders Rail - Economic Development Projects	81	169	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
Track to Train	234	126	0	0	0	360
Gorebridge Connected	772	416	0	0	0	1,188
A701 & A702 Works	927	499	0	0	0	1,426
TOTAL EDUCATION, COMMUNITY AND ECONOMY	18,510	15,762	12,186	6,111	1,079	53,648
HEALTH AND SOCIAL CARE						
Adult & Social Care						
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
Recovery Hub	0	551	297	0	0	848
Customer & Housing Services						
TOTAL HEALTH AND SOCIAL CARE	197	988	447	150	203	1,984
COUNCIL TRANSFORMATION						
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
TOTAL COUNCIL TRANSFORMATION	205	3,900	6,000	2,100	0	12,205
GENERAL SERVICES CAPITAL PLAN TOTAL	31,830	29,597	32,590	27,962	11,389	133,369