

**General Services Capital Plan – 2022/23 Quarter 1 Monitoring****Report by Gary Fairley, Chief Officer Corporate Solutions****Report for Noting****1 Recommendations**

It is recommended that the Council:-

1. Note the adjustment to the project expenditure budgets in the General Services Capital Plan as set out in Section 3.1.

**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 2022/23 (Section 4);
- Update on the Capital Fund (Section 5).

**Date 04 August 2022****Report Contact:****Gary Thomson, Senior Accountant****[gary.thomson@midlothian.gov.uk](mailto:gary.thomson@midlothian.gov.uk)**

### **3 Update of General Services Capital Plan**

#### **3.1 Adjustments to existing project budgets**

The following adjustments to existing project expenditure and income budgets are included in the General Services Capital Plan:-

- **Easthouses Primary School:** The plan has been updated to reflect the decision of Council on 28 June 2022.

### **4 2022/23 Projection against budget**

#### **4.1 2022/23 Budget**

After accounting for the following:-

- Rephasing of budgets from 2021/22 to 2022/23, and new projects added to the plan, both as reported to Council on 28 June 2022;
- Including the new projects & adjustments to project budgets as outlined in Section 3;
- Rephasing of budgets based on the latest information available from project managers as noted in Table 1 below

the capital plan expenditure budget for 2022/23 is £54.036 million.

Table 1: Rephasing of project expenditure budgets

Project	Description of rephasing of budget	Previous 2022/23 Budget £000's	Revised 2022/23 Budget £000's	2022/23 Budget Rephasing £000's
Woodburn Primary School	Delay in land acquisition and resultant extended programme, also due to market volatility issues and value engineering options	6,755	1,500	-5,255
Highbank Re-provisioning Intermediate Care	Rephasing of budget required due to three extensions of time requested by the five tendering contractors, who are experiencing difficulty in tying down their supply chain due to market issues	6,580	1,553	-5,027
Hopefield Farm Primary 2 (HS12)	Revised planning assumption for site & school delivery	1,347	0	-1,347
King's Park Primary School	Site complexity and planning implications have impacted programme	1,918	600	-1,318
Easthouses Primary School	Programme extended to work through market volatility issues and value engineering options	3,418	2,418	-1,000
St. David's Primary School	No immediate capacity pressure and knock-on impact from delay to other projects	622	225	-397
Mauricewood Primary School	Project scope being reviewed	550	200	-350
Rosewell Primary School	Current expansion option not feasible due to site constraints. Alternative sites being investigated	550	250	-300
Others	Other variances	649	0	-649
<b>Total</b>		<b>22,389</b>	<b>6,746</b>	<b>-15,643</b>

In line with this, the expected level of funding available to finance the plan has also been rephased and totals £30.991 million.

This results in an in-year borrowing requirement of £23.044 million.

The projected performance against budget for 2022/23 is shown in table 2 below:-

**Table 2: General Services Capital Plan Projected Performance against Budget 2022/23 – as at Quarter 1**

Item	2022/23 Rephased Budget £000's	Actual To 19.06.22 £000's	2022/23 Projected Outturn £000's	2022/23 Variance £000's	2022/23 Carry Forward £000's
Expenditure	54,036	1,524	54,036	0	-15,643
Funding	30,991	1,826	30,991	0	-9,019
Borrowing Required	<b>23,044</b>	<b>-302</b>	<b>23,044</b>	<b>0</b>	

## 4.2 Expenditure

Expenditure to 19 June 2022 is £1.524 million with a projected expenditure outturn of £54.036 million, in line with the rephased budget.

## 4.3 Funding

The funding available to finance the Capital Plan in 2022/23 is expected to total £30.991 million. Funding of £1.826 million has been received to 19 June 2022.

## 4.4 Borrowing

The budgeted level of borrowing for 2022/23 is £23.044 million. Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2022/23 is forecast to be £23.044 million, in line with budget. The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2022/23 General Fund Revenue report elsewhere on today's agenda.

## 5 Capital Fund

The Capital Fund at the start of the 2022/23 financial year was £22.178 million. £7.694 million of this is committed to fund the City Deal, with a further £12.061 million committed to support capital investment including the utilisation of £3.000 million in 2022/23.

The forecast non-committed capital fund balance at 31 March 2023 is £1.888 million, as shown in the table below.

Item	Amount £000's
<b>Balance at 01 April 2022</b>	<b>22,178</b>
Committed to fund City Deal Project	-7,694
Committed to support Capital Investment <sup>1</sup>	-12,061
Developer Contributions earmarked for specific purposes	-535
<b>Non-committed balance at 31 March 2023</b>	<b>1,888</b>

## **6. Report Implications**

### **6.1 Resource**

The borrowing required to finance the planned investment in 2022/23 is reflected in the Financial Monitoring 2022/23 – General Fund Revenue report elsewhere on today's agenda.

### **6.2 Digital**

There are no Digital Services implications arising from this report.

### **6.3 Risk**

The construction materials supply chain has already been subject to unprecedented disruption and inflation pressures through a combination of the Coronavirus (COVID-19) Pandemic, the conflict in the Ukraine and the UK leaving the European Union. The Construction Leadership Council (CLC) continues to report shortages of construction materials and forecasts this disruption to continue for the foreseeable future. Ongoing engagement with suppliers confirms that materials shortages, longer lead times and steep price increases are highly likely to continue to impact the supply chain.

Factors contributing to pricing increases include contractors no longer being able to absorb strong upward pressure from input costs, rising demand, logistics problems and materials and labour shortages. In particular, materials prices are likely to be an ongoing concern due to worldwide supply issues; and this is being reflected in recent tender returns. Tendering contractors are making specific reference to time periods for the supply of labour and materials, a recent change in diesel rules, the current conflict in Ukraine and potential shortages of materials from China and elsewhere.

Specific areas of major increases include groundworks, steel (structural and steel product), metal cladding, timber, insulation and fire protection.

This potentially exacerbates the inherent risk in the Capital Plan that projects will cost more than estimated thus resulting in additional borrowing, or will be subject to significant delay.

The construction industry in Scotland and the UK is currently experiencing unprecedented adverse market conditions, which is leading to significant rises in tender prices for a wide range of materials. There is evidence that inflation of between 10% and 15% beyond BCIS predictions is affecting projects and whilst measures such as value engineering and contract award review are partially mitigating cost increase there is a risk that the capital budgets provided for delivery of the project in the plan will need to be increased with a resultant impact on the funding strategy. The situation is currently being monitored and reviewed and an update will be provided to Council when the value of the impact has been determined.

Strengthened financial monitoring & governance procedures have been approved by CP&AMB, which will ensure that significant variations can be captured and reported to Programme Boards and CP&AMB so that remedial action can be taken to mitigate the risks.

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 or through alternative funding mechanisms.

The current review of Statutory Capital Accounting arrangements has brought increased uncertainty in respect of the affordability and financing of the existing capital programme. As such, officers will be seeking early assurance that there would be transitional arrangements for any changes arising from the review and that these would not only cover existing assets but also any accounting changes arising from projects already committed in the General Services Capital Plan for the current and forthcoming 4 financial years. Early assurance on what transitional arrangements may apply would allow officers to determine and advise to Council whether the current General Services Capital Plan remains affordable and prudent.

The Capital Plan includes a provision for the return of contingencies of £5.753 million over the period 2022/23 to 2025/26, equating to 2.5% of all project expenditure. The risk is that projects throughout the plan are unable to deliver this which could be in part due to factors outwith the Council's control. Capital Plan & Asset Management Board will review the level of return of contingencies against the £5.753 million provision on an ongoing basis to ensure that projects can, where possible, deliver against this provision and that the provision continues to be appropriate.

#### **6.4 Ensuring Equalities**

There are no equalities issues arising directly from this report.

#### **6.5 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 –General Services Capital Plan 2022/23 – Quarter 1 Monitoring



## Appendix 1: General Services Capital Plan 2022/23 – Quarter 1 Monitoring

	2021/22 Budget	Rephased 2021/22 Budget	2021/22 Actual	2021/22 Forecast	2021/22 Variance	2021/22 Carry
GENERAL SERVICES CAPITAL PLAN	Initial	Q1	to P3	Outturn Q1	Q1	Forward Q1
Q1 MONITORING	£'000	£000's	£000's	£000's	£000's	£000's
<b>PLACE DIRECTORATE</b>						
<b>Corporate Solutions</b>						
Newbattle Centre of Excellence	275	275		275	-	-
Business Applications	8	8	10	8	-	-
DS Corporate Solutions	616	616		616	-	-
Front Office - Hardware, Software & Services	(179)	(179)	96	(179)	-	-
Back Office - Hardware, Software & Services	1,384	1,384	(31)	1,384	-	-
Network, Software & Services	578	578	3	578	-	-
Schools - Hardware, Software & Services	1,336	1,336	(30)	1,336	-	-
Digital: Equipped for Learning	776	776		776	-	-
Civica Automation	47	47		47	-	-
<b>Place</b>						
Street Lighting and Traffic Signal Upgrades - New	1,312	1,312	53	1,312	-	-
Footway & Footpath Asset Management Plan - New	699	699		699	-	-
Accelerated Roads Residential Streets	4,319	4,319	136	4,319	-	-
Roads Asset Management Plan - New	1,838	1,838	47	1,838	-	-
Roads Asset Management Plan - Temple Ground Stabilisation	309	309		309	-	-
B6372 Arniston Embankment Stabilisation	593	593		593	-	-
North Middleton Bridge	62	62	36	62	-	-
A7 Urbanisation	106	106		106	-	-
Cycling, Walking & Safer Streets Projects	596	596		596	-	-
Ironmills Park Steps	7	7		7	-	-
New recycling facility - Penicuik	-	-	14	-	-	-
Vehicle & Plant Replacement Programme	2,077	2,077		2,077	-	-
Food Waste Rural Routes	132	132		132	-	-
In-Cab Waste Collection Vehicles	-	-	1	-	-	-
LEZ Electric Vehicles & Charging Points	48	48		48	-	-
Bus Priority Rapid Development	-	-		-	-	-
School Transport Retrofit Fund	22	22		22	-	-
Rosewell Road Toucan Crossing	50	50		50	-	-
Outdoor Play Equipment - Rosewell	46	46		46	-	-
Outdoor Play Equipment - Gorebridge	1	1		1	-	-
Roslin Wheeled Sports Facility	60	60		60	-	-
Mauricewood Road Bus Shelter	4	4		4	-	-
Riverside Park Paths & Woodland	89	89		89	-	-
Millerhill Park Circular Path & Bicycle Pump Track	18	18		18	-	-
Welfare Park, Newtongrange	98	98		98	-	-
Pump Track, North Middleton	76	76		76	-	-
Play Park Renewal 2021/22	98	98		98	-	-
Play Park Renewal 2022/23	97	97		97	-	-
Nature Restoration Fund 2021/22	41	41		41	-	-
Nature Restoration Fund 2022/23	103	103		103	-	-
Birkenside Grass Pitch Drainage	12	12		12	-	-
Open Spaces - Midlothian Wide Play Areas	338	338		338	-	-
Stobhill Depot Upgrade	568	568		568	-	-
New Depot: EWiM Phase III	-	-	(47)	-	-	-
Property Upgrades	1,283	1,283		1,283	-	-
Midlothian & Fairfield House Shower Upgrades	5	5		5	-	-
Shawfair Town Centre Land Purchase	5,165	5,165	106	5,165	-	-
Destination Hillend	8,035	8,035	46	8,035	-	-
32-38 Buccleuch Street Ground Floor Redevelopment	346	346		346	-	-
Contaminated Land	186	186		186	-	-
Public Sector Housing Grants	198	198		198	-	-
Borders Rail - Economic Development Projects	125	125		125	-	-
Penicuik THI	132	132		132	-	-
Mayfield Town Centre Regeneration	4	4		4	-	-
CCTV Network	472	472		472	-	-
Place Based Investment Fund 2021/22	600	600		600	-	-
Place Based Investment Fund 2022/23+	534	534		534	-	-
Town Centre Regeneration Fund 2020/21	91	91	(4)	91	-	-
<b>TOTAL PLACE</b>	<b>35,839</b>	<b>35,839</b>	<b>436</b>	<b>35,839</b>	<b>-</b>	<b>-</b>

	2022/23	2021/22	2021/22	2021/22	2021/22	2021/22
PEOPLE AND PARTNERSHIPS DIRECTORATE	Budget	Budget	Actual	Forecast	Variance	Carry
	£'000	Q1	to P3	Outturn Q1	Q1	Forward Q1
		£000's		£000's	£000's	£000's
<b>Education - Early Years</b>						
King's Park Primary School	55	55	14	55	-	-
Roslin Primary School	364	364		364	-	-
Capital grants to partner providers	409	-		-	-	409
Hawthorn Children & Families Centre Alteration	164	164	4	164	-	-
Mauricewood Primary School	247	247		247	-	-
Vogrie Outdoor Early Learning Centre	81	81		81	-	-
Other Outdoor Spaces	67	67		67	-	-
Mount Esk Nursery School	-	-	13	-	-	-
<b>Education - Primary</b>						
Paradykes Primary Replacement	144	144	0	144	-	-
St. Mary's RC & Early Bumbrae Primary Schools	140	140		140	-	-
New Danderhall Primary hub	277	277	92	277	-	-
Sacred Heart Primary School Extension	415	415	43	415	-	-
Easthouses Primary School	3,418	2,418		2,418	-	1,000
Tynewater Primary School	10	10		10	-	-
Bumbrae Primary School GP Space	2	2		2	-	-
Woodburn Primary 9 class & activity hall extension	6,755	1,500	64	1,500	-	5,255
<b>Education - Secondary</b>						
Lasswade High - Toilets & Changing to 1,600 pupil capacity	453	453	1	453	-	-
A701 High School	1,054	1,054	130	1,054	-	-
<b>Education - Learning Estate Strategy</b>						
Kings Park PS upgrade to existing building	1,918	600		600	-	1,318
St Davids Primary - 4 class & EY extension	622	225		225	-	397
Hopefield Farm Primary 2 (HS12)	1,347	-		-	-	1,347
Mauricewood Refurbishment	550	200		200	-	350
Rosewell Primary School - extend to 2 stream	550	250		250	-	300
Newtongrange refurb & expansion to 2 stream	645	645		645	-	-
Lasswade High - ASU	1,333	1,333		1,333	-	-
ASN Provision - Social Complex Needs	250	250		250	-	-
Strathesk Primary one class extension	214	214		214	-	-
Mayfield School Campus replace & extend	15	15		15	-	-
Learning Estate Strategy: Development Budget	1,222	1,222	37	1,222	-	-
Bonnyrigg Primary - Modular Unit	562	562		562	-	-
Hawthornden Primary - ASN Unit	492	492	23	492	-	-
Bumbrae Primary - Conversion of ASN to GP Space	80	80		80	-	-
<b>Education - General</b>						
Saltersgate Alterations Phase III - Playground Improvements	138	138	2	138	-	-
Saltersgate Phase IV - Internal Alterations	39	39		39	-	-
Modular Units - Session 2017/18	107	107		107	-	-
CO2 Monitors for Schools / Ventilation 21/22 Phase II	93	93	92	93	-	-
Free School Meal Provision	324	324		324	-	-
<b>Children's Services</b>						
Residential House for 5-12 year olds	210	210		210	-	-
<b>Communities &amp; Partnerships</b>						
Members Environmental Improvements	72	72	23	72	-	-
Participatory Budgets	180	180		180	-	-
<b>Adult Social Care</b>						
Assistive Technology	176	176		176	-	-
Homecare	55	55		55	-	-
Highbank Intermediate Care Reprovisioning	6,580	1,553	(129)	1,553	-	5,027
General Fund Share of Extra Care Housing	297	297	186	297	-	-
<b>Sport &amp; Leisure</b>						
Property - Poltonhall Astro & Training Area Resurfacing	384	384	475	384	-	-
Property - Penicuik Astro Resurfacing	76	76		76	-	-
Dalkeith Thistle - Pavilion Upgrade	6	6		6	-	-
Loanhead Memorial Park Pitch	4	4		4	-	-
Flotterstone Car Park Infrastructure & Charging	16	16		16	-	-
Property - King's Park Tennis Courts Resurfacing	82	82		82	-	-
Property - Penicuik Centre Flooring, Cardio & Equipment	178	178		178	-	-
Property - Lasswade Centre Flooring	97	97		97	-	-
Property - Gorebridge Leisure Centre	48	48		48	-	-
Property - Loanhead Centre	2	2		2	-	-
<b>TOTAL PEOPLE AND PARTNERSHIPS</b>	<b>33,017</b>	<b>17,614</b>	<b>1,072</b>	<b>17,614</b>	<b>-</b>	<b>15,403</b>
<b>COUNCIL TRANSFORMATION</b>						
Purchase to Pay	2	2		2	-	-
EWiM - Buccleuch House Ground Floor	33	33		33	-	-
A701 & A702 Relief Road City Deal Project	1,532	1,532	17	1,532	-	-
City Deal	240	-		-	-	240
<b>TOTAL COUNCIL TRANSFORMATION</b>	<b>1,807</b>	<b>1,567</b>	<b>17</b>	<b>1,567</b>	<b>-</b>	<b>240</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL</b>	<b>70,663</b>	<b>55,020</b>	<b>1,524</b>	<b>55,020</b>	<b>-</b>	<b>15,643</b>
<b>COST OF SALES</b>						
<b>TOTAL COST OF SALES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL INC COST OF SALES</b>	<b>70,663</b>	<b>55,020</b>	<b>1,524</b>	<b>55,020</b>	<b>-</b>	<b>15,643</b>
Provision for Return of Contingencies	(985)	(985)		(985)	-	-
<b>GSCP + CIS Total inc. Return of Contingencies</b>	<b>69,678</b>	<b>54,035</b>	<b>1,524</b>	<b>54,035</b>	<b>-</b>	<b>15,643</b>