

General Services Capital Plan**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 information on the projected performance of the General Services Capital Plan against budget for 2014/15;
- Provide Council with forecast expenditure and income for the General Services Capital Plan for 2015/16 through to 2017/18;

2 Background**2.1 Budget**

The General Services Capital Plan for 2014/15 was presented to Council on 04 February 2014 and, accounting for slippage from 2013/14 as reported to Council in the Outturn report on 24 June 2014, allowed for expenditure of £22.898 million for 2014/15 and funding of £13.719 million, therefore giving a borrowing requirement of £9.179 million for 2014/15.

This budget has been rephased to adjust expenditure to £18.467 million, to account for:-

- (a) new projects that have been approved in the period since 24 June 2014, and
- (b) revised expenditure profiles provided in the period.

In line with this, the expected level of funding available to finance the plan has also been rephased and totals £12.027 million, a reduction of £1.152 million against budget. This incorporates the reprofiling of Developer Contributions to reflect the revised expenditure profiles for the Newbattle Centre, Gorebridge Primary School, Bilston Primary School, and the Newtongrange/St. Andrew's Extension projects.

This reduced the projected in-year borrowing requirement from £9.179 million to £6.440 million.

2.2 Expenditure

Expenditure to date is £3.400 million with a projected expenditure outturn of £16.998 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:-

Item	Description	Slippage £000's	Project Underspend £000's
Stobhill Depot Upgrade	A review of the replacement of the existing depot is planned for the New Year (with a report to Council) with the upgrade of the existing depot on hold pending the outcome of this review.	569	0
Property Upgrades	Expenditure profile for 2014/15 based on committed works to date provided by Property Maintenance.	341	0
Vehicle & Plant Replacement Programme	Purchase of vehicles that were budgeted for replacement this year have now been deferred to 2015/16, partially offset through increased price inflation on the cost of new vehicles purchased.	369	0
Assistive Technology	Slippage based on equipment purchases to date (equipment purchased as part of an ongoing programme to roll-out assistive technology to service users in the community).	68	0
Install Geogrid (Barleyknowe Lane)	On hold prior to an assessment on the potential to increase the scope of the project to other works in the adjoining open space. Any increase in the scope of works would be subject to the outcome of match funding applications to other external bodies.	63	0
Other minor variances		28	31
Total		1,438	31

It is therefore expected that there will be a net underspend against budget for the year of £1.469 million, with £1.438 million of this being carried forward to 2015/16.

2.3 Funding

The funding available to finance the Capital Plan in 2014/15 is expected to total £12.027 million, in line with budget. Funding of £5.085 million has been received to date.

2.4 Borrowing

The budgeted level of borrowing for 2014/15 was £6.440 million. Based on the revised expenditure and funding levels, the revised estimate of the level of borrowing required to fund the investment identified in Appendix 1 is £4.971 million, a reduction of £1.469 million. The impact on the Council's borrowing costs is reflected in the Financial Monitoring and Financial Strategy reports elsewhere on today's agenda.

2.5 Summary position 2014/15

Based on the above, the projected performance against budget for 2014/15 is shown in the table below:-

GENERAL SERVICES CAPITAL PLAN				
2014/15 Q2 Monitoring				
		Re-phased		
	2014/15	2014/15	2014/15	2014/15
	Budget	Budget	Outturn	Variance
	£'000	£'000	£'000	£'000
EXPENDITURE				
Resources	11,663	10,419	9,140	(1,279)
Education, Community & Economy	9,415	6,228	6,137	(91)
Health & Social Care	505	505	406	(99)
Council Transformation	1,315	1,315	1,315	-
Total Approved Expenditure	22,898	18,467	16,998	(1,469)
FUNDING				
Government Grants	8,057	8,057	8,057	-
Receipts from Sales	41	4,159	4,159	-
Transfer to Capital Fund	(41)	(4,159)	(4,159)	-
Developer Contributions	5,386	3,694	3,694	-
Other Contributions	276	276	276	-
Total Available Funding	13,719	12,027	12,027	-
Approved Borrowing Required	9,179	6,440	4,971	(1,469)
Debt Outstanding at 01 April	114,000	107,675	107,675	-
Borrowing arising from Capital Plan	9,179	6,440	4,971	(1,469)
Debt Repayments	(4,307)	(4,194)	(4,194)	-
Debt Outstanding at 31 March	118,872	109,921	108,452	(1,469)

3 General Services Capital Plan 2015/16 to 2017/18

3.1 Expenditure

The General Services Capital Plan presented to Council on 04 February 2014 allowed for expenditure totalling £41.613 million over the period 2015/16 to 2017/18.

This has been adjusted to £58.738 million, with the detail on a project by project basis shown in Appendix 2. This represents an increase of £17.125 million from the Plan reported to Council on 04 February 2014.

The main change is that Scottish Government has now approved the funding award for Paradykes and Roslin Primary School replacements. As a consequence of this, there now needs to be provision made in the Capital Plan for the Council's share of the project expenditure. The capital expenditure for the projects will be funded partly through a displacement of some of the capital contribution from the Newbattle Centre project¹ (the "Scottish Government" share), and partly through a requirement for additional funding from the General Services Capital Plan (the "Council share"), as shown below.

¹ With the Scottish Government providing revenue funding for the displaced Capital Contribution in the Newbattle Centre project.

Project	Total (additional) Expenditure £000's
Replacement Paradykes Primary School	9,341
Replacement Roslin Primary School	5,584
Replacement Loanhead Library	832
Refurbished Loanhead Leisure Centre	1,266
Total Expenditure	17,023
Rediverted Newbattle Centre Capital Contribution	-8,528
Net Additional Council Capital Costs	8,495

The costs outlined above are indicative at this stage and a further report with detailed costs will be brought forward to Council in due course.

The other main changes to the plan are shown in the table below:-

Item	Notes	Total (additional) Expenditure £000's
Capitalisation of Roads Maintenance Budget	As reported on today's agenda. £500k per annum.	1,500
Inflation / Increase in scope of Gorebridge North & Bilston Primary School Projects	Inflation from costing base date. Delivery of 2-stream school now as one phase (as opposed to two separate phases)	3,017
Realignment of Expenditure Budgets / Slippage from 2013/14 and 2014/15	Various	4,113
Total		8,630

In terms of the phasing of expenditure in the plan, the reduction in the level of the Capital Contribution for the Newbattle Centre project, from £14.370m to £5.842m, allows the Council to inject the Capital Contribution earlier in the construction phase² and therefore minimise the extent of any capitalised interest incurred by the private sector company set up to deliver the Newbattle Centre project. This requires the rephasing of the contribution from 2016/17 to 2015/16 and this has been adjusted in the plan as shown in Appendix 2.

3.2 Funding

Capital receipts and developer contributions have been updated to reflect the most up to date position and are summarised in the table in Section 3.5 below. Capital grants have been updated (also shown in the table in Section 3.5 below) to reflect the funding levels anticipated over the following 3 year period and reflect the Council's contribution towards the Next Generation Broadband project.

3.3 Summary

² Per Scottish Government Guidance

The projected level of expenditure and the estimated level of external funding available to finance this expenditure for the period 2015/16 to 2017/18 are shown in the table below, along with the projected level of borrowing required.

GENERAL SERVICES CAPITAL PLAN			
2015/16 to 2017/18			
	2015/16	2016/17	2017/18
	Budget	Budget	Budget
	£'000	£'000	£'000
EXPENDITURE			
Resources	8,443	4,695	5,145
Education, Community & Economy	25,914	13,843	180
Health & Social Care	218	150	150
Total Approved Expenditure	34,575	18,688	5,475
FUNDING			
Government Grants	7,113	6,267	5,965
Receipts from Sales	6,650	-	1,094
Transfer to Capital Fund	(6,650)	-	-
Developer Contributions	10,005	-	-
Total Available Funding	17,118	6,267	7,059
Approved Borrowing Required	17,458	12,421	(1,584)

3.4 Overall Cap on Debt Outstanding

Council, on 04 February 2014, agreed to a maximum level of debt outstanding on the General Services Capital Plan. This was based on an outturn for 2013/14 of £114.000 million, with two exceptions:-

1. The increase in borrowing attributable to the Newbattle Centre Capital Contribution (£15.322 million net of £6.000 million contribution from the Capital Fund and £2.046m developer contributions). This therefore increased the overall cap on debt outstanding for the General Services Capital Plan from £114.000 million to £121.276 million;
2. Any projects that the Council were forward funding but which would ultimately be funded by developer contributions.

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 the table below:-

	2015/16	2016/17	2017/18
	Budget	Budget	Budget
	£'000	£'000	£'000
Debt Outstanding at 01 April	108,452	121,911	130,332
Borrowing arising from Capital Plan	17,458	12,421	(1,584)
Debt Repayments	(3,998)	(4,000)	(4,058)
Debt Outstanding at 31 March	121,911	130,332	124,690
less: Net Capital Expenditure on Forward Funded projects			
Bilston Primary School	4,494	5,059	4,969
Gorebridge North Primary School	3,959	4,655	4,545
Debt Outstanding at 31 March excluding Forward Funded projects	113,458	120,619	115,176
Agreed Cap	121,276	121,276	121,276
Headroom	7,818	657	6,100

4 Report Implications

4.1 Resource

The borrowing required to finance the planned investment in 2014/15 to 2017/18 is currently £33.266m. The loan charges associated with this borrowing have been included in revenue budget projections reported to Council on today's agenda.

4.2 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.

4.3 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

4.4 Impact on Performance and Outcome

There are no issues arising directly from this report.

4.5 Adopting a Preventative Approach

There are no issues arising directly from this report

4.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

4.7 Ensuring Equalities

There are no equalities issues arising directly from this report.

4.8 Supporting Sustainable Development

There are no sustainability issues arising directly from this report.

4.9 IT Issues

There are no IT implications arising from this report.

5 Recommendations

Council is asked to:

- a) Note the General Services Capital Plan monitoring position for 2014/15 as shown in Section 2.5;
- b) Approve the proposed General Services Capital Plan 2015/16 to 2017/18 as shown in Section 3.3, noting the overall cap on the level of debt outstanding in each of these years;

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Background Papers:

Appendix 1 – 2014/15 Quarter 2 Monitoring

Appendix 2 – 2015/16 to 2017/18 Projections

Appendix 1

		Re-phased		
GENERAL SERVICES CAPITAL PLAN	2014/15	2014/15	2014/15	2014/15
2014/15	Budget	Budget	Outturn	Variance
APPROVED PROJECTS	£'000	£'000	£'000	£'000
RESOURCES				
Customer Services				
Corporate IT Asset Upgrades	1,126	1,126	1,126	0
Anti-Virus Upgrades	75	75	75	0
Server Replacement	193	193	193	0
Disaster Recovery	40	40	40	0
Internet Connection	20	20	20	0
New ITMIS - Service Improvement	150	150	150	0
Cabling and Power - Midlothian House & Fairfield House	200	200	200	0
IT Data Encryption	23	23	23	0
IT PCI Compliance	39	39	39	0
IT UPS Devices	40	40	40	0
Midlothian Website Development	7	7	7	0
Commercial Operations				
Street Lighting Upgrades	1,224	1,224	1,224	0
Road Upgrades	1,000	1,000	1,000	0
A6106 Lugton	348	348	348	0
Millerhill Site Services	705	705	705	0
Beeslack High School Safer Routes to School	55	55	55	0
Cycling, Walking & Safer Streets Projects	200	200	200	0
Ironmills Park Steps		49	49	0
Emily Bing	13	13	13	0
New recycling facility - Penicuik	1,308	15	15	0
Waste Collection Vehicles	1,116	1,116	1,150	34
Food Waste Collection	0	0	0	0
Vehicle & Plant Replacement Programme	1,820	1,820	1,417	-403
Bonnyrigg Skate Park	165	165	165	0
Newtongrange Wheeled Sports park	77	77	77	0
Property & Facilities				
Stobhill Depot Upgrade	569	569	0	-569
Property Upgrades inc. Lighting/Lightning	1,150	1,150	809	-341
Capitalised Roads Maintenance Budget	0	0	0	0
TOTAL RESOURCES	11,663	10,419	9,140	(1,279)
EDUCATION, COMMUNITY AND ECONOMY				
Primary				
Burnbrae	436	241	241	0
Bilston	1,689	600	600	0
Gorebridge North	1,000	600	600	0
Rosewell Extension	129	129	129	0
St Andrews Extension	850	468	456	-12
Cornbank Extension	217	387	377	-10
Newtongrange Extension	202	239	233	-6
Paradykes Roof	5	5	5	0
Kings Park PS Classroom conversion	11	11	11	0
Newtongrange Playground	18	18	18	0
Paradykes Preparatory Works		10	10	0
Secondary				
Lasswade High School inc. 2nd MUGA	1,802	1,053	1,053	0
Newbattle High School Preparatory Works	1,570	1,011	1,011	0
Newbattle High School Construction	0	0	0	0
General				
IT Development	757	757	757	0
Children and Families				
Planning & Development				
Environmental Improvements	656	626	626	0
Property Asset Management System	10	10	10	0
Install Geogrid - Barleyknowe Lane	63	63	0	(63)
TOTAL EDUCATION, COMMUNITY AND ECONOMY	9,415	6,228	6,137	-91

HEALTH AND SOCIAL CARE				
Penicuik Care Home Hub	236	236	236	0
Penicuik Care Home Hub - Fit Out	27	27	3	-24
Assistive Technology	218	218	150	-68
Travelling Peoples Site Upgrade	17	17	17	0
IT System	7	7	0	-7
TOTAL HEALTH AND SOCIAL CARE	505	505	406	-99
COUNCIL TRANSFORMATION				
Purchase to Pay	65	65	65	0
Property Services Review	43	43	43	0
EDRMS	90	90	90	0
EWiM	85	85	85	0
EWiM Phase 2	1,032	1,032	1,032	0
TOTAL BUSINESS TRANSFORMATION	1,315	1,315	1,315	0
GENERAL SERVICES CAPITAL PLAN TOTAL				
	22,898	18,467	16,998	-1,469

Appendix 2

GENERAL SERVICES CAPITAL PLAN	2015/16	2016/17	2017/18
2015/16 to 2017/18	Budget	Budget	Budget
	£'000	£'000	£'000
RESOURCES			
Customer Services			
Corporate IT Asset Upgrades	250	0	0
Anti-Virus Upgrades	85	0	0
Server Replacement	125	0	0
Disaster Recovery	0	0	0
Internet Connection	20	0	0
New ITMIS - Service Improvement	0	0	0
Cabling and Power - Midlothian House & Fairfield House	0	0	0
IT Data Encryption	0	0	0
IT PCI Compliance	0	0	0
IT UPS Devices	0	0	0
Midlothian Website Development	0	0	0
Commercial Operations			
Street Lighting Upgrades	1,073	1,000	1,000
Road Upgrades	1,000	1,000	1,000
A6106 Lugton	0	0	0
Millerhill Site Services	0	0	0
Beeslack High School Safer Routes to School	0	0	0
Cycling, Walking & Safer Streets Projects	112	95	90
Ironmills Park Steps	0	0	0
Emily Bing	0	0	0
New recycling facility - Penicuik	1293	0	0
Waste Collection Vehicles	236	100	555
Food Waste Collection	653	0	0
Vehicle & Plant Replacement Programme	1186	1000	1000
Bonnyrigg Skate Park	0	0	0
Newtongrange Wheeled Sports park	0	0	0
Property & Facilities			
Stobhill Depot Upgrade	569	0	0
Property Upgrades inc. Lighting/Lightning	1,341	1000	1000
Capitalised Roads Maintenance Budget	500	500	500
TOTAL RESOURCES	8,443	4,695	5,145

	2015/16	2016/17	2017/18
	Budget	Budget	Budget
	£'000	£'000	£'000
EDUCATION, COMMUNITY AND ECONOMY			
Primary			
Burnbrae	0	0	0
Bilston	5,803	643	0
Gorebridge North	7,891	200	0
Rosewell Extension	0	0	0
St Andrews Extension	240	0	0
Cornbank Extension	200	0	0
Newtongrange Extension	123	0	0
Paradykes Roof	0	0	0
Kings Park PS Classroom conversion	0	0	0
Newtongrange Playground	0	0	0
Paradykes Preparatory Works	0	0	0
Paradykes Replacement	2,888	8,551	0
Roslin Replacement	1,489	4,095	0
Secondary			
Lasswade High School inc. 2nd MUGA	749	0	0
Newbattle High School Preparatory Works	446	174	0
Newbattle High School - Enabling Works / Capital Contributions	5,842	0	0
General			
IT Development	0	0	0
Children and Families			
Planning & Development			
Environmental Improvements	180	180	180
Property Asset Management System	0	0	0
Install Geogrid - Barleyknowe Lane	63	0	0
TOTAL EDUCATION, COMMUNITY AND ECONOMY	25,914	13,843	180
HEALTH AND SOCIAL CARE			
Penicuik Care Home Hub	0	0	0
Penicuik Care Home Hub - Fit Out	0	0	0
Assistive Technology	218	150	150
Travelling Peoples Site Upgrade	0	0	0
IT System	0	0	0
TOTAL HEALTH AND SOCIAL CARE	218	150	150
GENERAL SERVICES CAPITAL PLAN TOTAL	34,575	18,688	5,475