

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Capital Monitoring 2015/16 – Month three position

Item number 7.7
Report number
Executive/routine
Wards

Executive summary

The month three position shows that the Council is projecting to borrow £33.967m and will be in receipt of grants and capital income amounting to £118.385m. Together this will fund projected capital investment of £152.352m. The level of borrowing is projected to be £0.328m less than budget based on a net surplus in capital receipts / grant income. Current projections suggest that over the five-year period of the 2015-2020 Capital Investment Programme, sale of general assets will generate additional income over and above that previously budgeted for. The net surplus in capital receipts / grant income projected this year reflects additional income that counts towards this.

Links

Coalition pledges	P3; P8; P30; P31; P33; P42
Council outcomes	CO1; CO16; CO20; CO23; CO25
Single Outcome Agreement	SO3; SO4

Capital Monitoring 2015/16 – Month three position

Recommendations

- 1.1 Members of the Finance and Resources Committee are requested to:
- 1.1.1 Note the projected capital outturn positions on the General Fund and HRA at month three;
 - 1.1.2 Note the prudential indicators at month three;
 - 1.1.3 Note that the Acting Director of Services for Communities is closely monitoring the capital receipts position; and
 - 1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

Background

- 2.1 This report sets out the overall position of the Council's capital budget at month three and the projected outturn for the year.

Main report

- 3.1 The month three position is based on the revised 2015-2020 Capital Investment Programme incorporating net slippage / acceleration from 2014/15 (the detail of which can be seen in Appendix 6 of the Capital Monitoring 2014/15 – Outturn and Receipts report which is also on the agenda).

	Outturn Variance at Month Three £000
Net slippage in gross expenditure	0
Net (surplus) / shortfall in capital receipts / grant income	(328)
Net increase / (decrease) in borrowing requirement	<u>(328)</u>

- 3.2 As presented in the table at 3.1 above and within Appendix 1, a balanced expenditure position is projected at month three (reflecting up to date re-phasing and realignment of the revised capital programme 2015-2020) against a figure of £0.328m for net surplus in capital receipts / grant income. As a result, borrowing is reduced by this amount.

Capital receipts/grant income

- 3.3 A review of capital receipts from asset sales undertaken by Corporate Property and Finance estimates that net receipts of £13.180m will be realised in 2015/16, compared to a budget of £12.852m resulting in a receipts surplus of £0.328m. This is as a result of a small number of receipts being higher than originally envisaged, and also due to the introduction of additional asset sales not previously factored in to the approved budget level. Receipts that are forecast to be realised in 2015/16 include Luton Court, South Gyle Wynd (2nd tranche payment) and 6-8 Market Street.
- 3.4 Current projections suggest that over the five year period of the 2015-2020 Capital Programme, sale of general assets will generate additional income over and above that previously budgeted for, of which this year's net surplus forms a part.
- 3.5 A budget update report to be presented to Finance and Resources Committee in September will provide a more detailed position on capital receipts projections over the next five-year period.

Prudential Indicators

- 3.6 The prudential indicator monitoring at month three is shown in Appendix 2.

Housing Revenue Account (HRA)

- 3.7 The Housing Revenue Account is forecasting to balance to budget as shown in Appendix 3. At month three, the forecast is gross expenditure of £48.830m, capital receipts / grant income of £17.562m and borrowing of £31.268m.
- 3.8 There are significant challenges in delivering the 2015/16 core HRA capital programme due to the introduction of the new Housing Asset Management (HAM) Framework contract part way through the financial year. There are a number of potential risks that could affect delivery and result in slippage being reported as the financial year progresses. Staff within Finance will liaise with colleagues within Housing to monitor and manage risks robustly, minimising these where possible. The risks are set out in detail in 6.4 of this report.

Measures of success

- 4.1 Completion of capital projects as budgeted for in the 2015/16 capital programme.
- 4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

Financial impact

- 5.1 The projected 2015/16 general fund outturn outlines capital borrowing of £33.967m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £33.967m, interest of £22.112m,

resulting in a total cost of £56.079m based on a loans fund interest rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.879m, followed by an annual cost of £2.760m for 20 years. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

- 5.2 The loan charge costs outlined above will be met from this year's revenue budget for loan charges.

Risk, policy, compliance and governance impact

- 6.1 Significant budget virements have complied with relevant financial rules and regulations.
- 6.2 Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.
- 6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Corporate Programmes Office (CPO).
- 6.4 Over 80% of the 2015/16 core HRA capital investment programme will be delivered through the new HAM Framework. This presents significant risks to delivery:
- With over 80% of the programme being tendered in the second half of the financial year, this will reduce the time available to maximise delivery.
 - The Council will not have previous experience of the new contractors on the Framework and as such, there may be capacity or mobilisation issues for contractors given the reduced timeline for delivery.
 - With the majority of the programme starting in the second half of the financial year, there is a risk that delivery of external fabric work streams could be adversely affected by inclement weather over the winter period.

Equalities impact

- 7.1 The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Families establishments and capital expenditure on Council housing stock.
- 7.2 There is little contribution with regard to capital expenditure and the duty to eliminate unlawful discrimination, harassment or victimisation.

Sustainability impact

- 8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.
- 8.2 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.
- 8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

Consultation and engagement

- 9.1 Consultation on the budget will be undertaken as part of the budget process.

Background reading/external references

None.

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Sat Patel, Senior Accountant

E-mail: satyam.patel@edinburgh.gov.uk | Tel: 0131 469 3185

Links

Coalition pledges	<p>P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools</p> <p>P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites</p> <p>P30 – Continue to maintain a sound financial position including long-term financial planning</p> <p>P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural</p>
--------------------------	---

	<p>infrastructure</p> <p>P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used</p> <p>P42 – Continue to support and invest in our sporting infrastructure</p>
Council outcomes	<p>CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed</p> <p>CO16 – Edinburgh draws new investment in development and regeneration</p> <p>CO20 – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and future of citizens</p> <p>CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community</p> <p>CO25 – The Council has efficient and effective services that deliver on objectives</p>
Single Outcome Agreement	<p>SO3 - Edinburgh’s children and young people enjoy their childhood and fulfil their potential</p> <p>SO4 - Edinburgh’s communities are safer and have improved physical and social fabric</p>
Appendices	<p>1 – Capital Monitoring 2015/16 – General Fund</p> <p>2 – Prudential Indicators 2015/16</p> <p>3 – Capital Monitoring 2015/16 - HRA</p>

Capital Monitoring 2015/16

General Fund Summary

Period 3

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
						£000	%
Children and Families	57,995	-	57,995	7,443	57,995	-	0.00%
Economic Development	52	-	52	-	52	-	0.00%
Corporate Governance	2,350	-	2,350	251	2,350	-	0.00%
Health and Social Care	5,598	-	5,598	1,141	5,598	-	0.00%
Services for Communities	73,097	-	73,097	10,247	73,097	-	0.00%
Services for Communities-Asset Management	13,260	-	13,260	1,245	13,260	-	0.00%
Total Gross Expenditure	152,352	-	152,352	20,327	152,352	-	0.00%

Resources

<i>Capital Receipts</i>							
General Services	10,952	-	10,952	189	11,530	578	5.28%
Asset Sales to reduce Corporate borrowing	1,900	-	1,900	-	1,900	-	n/a
Less Fees Relating to Receipts				(33)	(250)	(250)	
<i>Total Capital Receipts from Asset Sales</i>	<i>12,852</i>	<i>-</i>	<i>12,852</i>	<i>156</i>	<i>13,180</i>	<i>328</i>	<i>2.55%</i>
Developer and other Contributions	14,663	-	14,663	1,050	14,663	-	0.00%
Capital Grants Unapplied Account drawdown	689	-	689	-	689	-	n/a
<i>Total Capital Receipts</i>	<i>28,204</i>	<i>-</i>	<i>28,204</i>	<i>1,206</i>	<i>28,532</i>	<i>328</i>	<i>1.16%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	57,461	-	57,461	14,365	57,461	-	0.00%
Cycling, Walking and Safer Streets	729	-	729	-	729	-	0.00%
Management Development Funding	31,663	-	31,663	-	31,663	-	0.00%
<i>Total Grants</i>	<i>89,853</i>	<i>-</i>	<i>89,853</i>	<i>14,365</i>	<i>89,853</i>	<i>-</i>	<i>0.00%</i>
Total Resources	118,057	-	118,057	15,571	118,385	328	0.28%

Balance to be funded through borrowing	34,295	-	34,295		33,967	(328)	-0.96%
---	---------------	----------	---------------	--	---------------	--------------	---------------

PRUDENTIAL INDICATORS 2015/16 - Period 3**Indicator 1 - Estimate of Capital Expenditure**

	2014/15 Estimate £000	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
Children & Families	15,843	16,903	68,556	57,995	31,060	44,626	15,543	15,731	4,531	6,940	0	660
Corporate Governance	5,885	7,582	3,895	2,350	2,089	4,794	165	165	165	165	165	165
Economic Development	52	0	0	52	0	0	0	0	0	0	0	0
Health & Social Care	4,646	4,616	7,171	5,598	1,514	4,779	114	114	0	0	0	0
Services for Communities	79,854	85,260	82,358	73,097	68,586	85,985	47,979	47,981	21,361	21,363	17,835	17,835
SfC - Asset Management Programme	14,191	18,657	22,545	13,260	13,657	24,750	14,000	10,929	14,000	8,436	14,000	19,173
Other Capital Projects	797	1,049	0	0	0	0	0	0	0	0	0	0
Trams	5,385	5,246	0	0	0	0	0	0	0	0	0	0
Unallocated funding	0	0	13,319	0	0	0	0	0	0	0	9,000	9,000
Total General Services	126,653	139,313	197,844	152,352	116,906	164,934	77,801	74,920	40,057	36,904	41,000	46,833
Housing Revenue Account	34,135	37,308	49,830	48,830	48,693	48,693	51,485	51,485	44,375	44,375	40,347	40,347
Total	160,788	176,621	247,674	201,182	165,599	213,627	129,286	126,405	84,432	81,279	81,347	87,180

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget motion in February 2015. Differences between these and the 'forecast' figures relate to further realignment and rephasing that has taken place as part of the revised budget process.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2014/15 Estimate %	2014/15 Actual %	2015/16 Estimate %	2015/16 Forecast %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Services	12.11	11.63	12.56	12.19	12.42	12.29	N/A	N/A
Housing Revenue Account	37.30	33.97	39.61	35.63	41.51	43.05	44.49	45.16

Forecast and estimates include the financing cost relating to the Trams project.

Figures for 2016/17 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the budget framework to the end of the current coalition Council and so figures for 2018/19 and 2019/20 have been excluded.

Indicator 3 - Capital Financing Requirement

	2014/15 Estimate £000	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
General Services (including finance leases)	1,305,992	1,357,972	1,378,274	1,321,519	1,356,927	1,345,256	1,308,749	1,292,677	1,231,180	1,210,448	1,154,804	1,139,145
Housing Revenue Account	372,390	368,053	386,158	380,628	395,556	390,026	404,181	398,651	409,558	407,258	413,587	418,049
Total	<u>1,678,382</u>	<u>1,726,025</u>	<u>1,764,432</u>	<u>1,702,147</u>	<u>1,752,483</u>	<u>1,735,282</u>	<u>1,712,930</u>	<u>1,691,328</u>	<u>1,640,738</u>	<u>1,617,706</u>	<u>1,568,391</u>	<u>1,557,194</u>

Forecasts include the capital financing requirement relating to PPP assets and Trams project

Indicator 4 - Authorised Limit for External Debt

	2015/16 Estimate £000	2015/16 Rev Est £000	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000
Borrowing	1,579,785	1,579,785	1,636,773	1,636,773	1,636,477	1,636,477	1,607,353	1,607,353	1,541,678	1,541,678
Other Long-Term Liabilities	190,834	226,589	181,516	215,777	172,671	205,412	164,724	195,958	157,281	187,755
Total	<u>1,770,619</u>	<u>1,806,374</u>	<u>1,818,289</u>	<u>1,852,550</u>	<u>1,809,148</u>	<u>1,841,889</u>	<u>1,772,077</u>	<u>1,803,311</u>	<u>1,698,959</u>	<u>1,729,433</u>

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 5 - Operational Boundary for External Debt

	2015/16 Estimate £000	2015/16 Rev Est £000	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000
Borrowing	1,558,752	1,558,752	1,611,363	1,611,363	1,609,881	1,609,881	1,579,955	1,579,955	1,514,969	1,514,969
Other Long-Term Liabilities	190,834	226,589	181,516	215,777	172,671	205,412	164,724	195,958	157,281	187,755
Total	<u>1,749,586</u>	<u>1,785,341</u>	<u>1,792,879</u>	<u>1,827,140</u>	<u>1,782,552</u>	<u>1,815,293</u>	<u>1,744,679</u>	<u>1,775,913</u>	<u>1,672,250</u>	<u>1,702,724</u>

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 6 - Impact on Council Tax and House Rents

	2015/16	2015/16	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20
	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
for the band "D" Council Tax	0.29	-6.37	4.14	-12.24	10.19	6.43	N/A	N/A	N/A	N/A
for the average weekly housing rents	0.21	0.09	0.69	0.30	0.52	0.13	-0.05	-0.37	0.52	0.51

In calculating the incremental impact of capital investment decisions on the band "D" Council Tax, investment decisions relating to National Housing Trust Phases have been omitted. As agreed with the Scottish Government, the borrowing and associated interest costs related to this expenditure are directly rechargeable to developers at agreed periods in the future. As such, there is no cost to the Council in relation to this element of borrowing and therefore it has been omitted in calculating the incremental impact of capital investment decisions.

The changes between the forecast and the original estimate reflect the realignment of the Capital Investment Programme reported to Finance and Resources Committee in August 2015.

CAPITAL MONITORING 2015/16**Housing Revenue Account Summary****Period 3**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	48,830	4,592	48,830	0	0.0%
Total Gross Expenditure	48,830	4,592	48,830	0	0.0%

Resources					
Capital Receipts	-6,112	0	-6,112	0	0.0%
Developers and Other Contributions	-7,670	-320	-7,670	0	0.0%
Specific Capital Grant	-3,780	-837	-3,780	0	0.0%
Total Resources	-17,562	-1,157	-17,562	0	0.0%

Borrowing					
Borrowing	31,268	3,435	31,268	0	0.0%
Total	31,268	3,435	31,268	0	0.0%