

Finance and Resources Committee

2.00pm, Thursday, 18 August 2016

Capital Monitoring 2016/17 – 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 £61.772m and will be in receipt of grants and capital income amounting to £98.660m. Together this will fund projected capital investment of £160.432m. The level of borrowing is projected to be balanced against budget.

Links

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

Capital Monitoring 2016/17 – 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; and
 - 1.1.3 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 2016-2021 Capital Investment Programme incorporating net slippage / acceleration from 2015/16 (the detail of which can be seen in Appendix 7 of the Capital Monitoring 2015/16 – Outturn and Receipts report which is included elsewhere on the agenda).
- 3.2 The position at month three can be seen in Appendix 1. An overall balanced position is projected currently reflecting up to date re-phasing and realignment of the revised capital programme 2016-2021.

Prudential Indicators

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

Housing Revenue Account (HRA)

- 3.4 The Housing Revenue Account is forecasting to balance to budget as shown in Appendix 3. At month three, the forecast is gross expenditure of £44.334m, capital receipts / grant income of £21.304m and prudential borrowing of £23.030m.

Measures of success

- 4.1 Completion of capital projects as budgeted for in the 2016/17 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 2016/17 general fund outturn outlines capital borrowing of £61.772m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £61.772m, interest of £41.213m, resulting in a total cost of £102.985m 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 £1.585m, followed by an annual cost of £5.070m 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 can 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) which was transferred to the Transformation Team in the newly created Strategy and Insight Division in February 2016.

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 Communities 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 capital budget will be undertaken as part of the budget process.

Background reading/external references

None

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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 infrastructure</p> <p>P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used</p>
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	P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed CO16 – Edinburgh draws new investment in development and regeneration 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 CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO3 - Edinburgh’s children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	1 – Capital Monitoring 2016/17 – General Fund 2 – Prudential Indicators 2016/17 3 – Capital Monitoring 2016/17 - HRA

Capital Monitoring 2016/17

General Fund Summary

Period 3

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
						£000	%
Chief Executive	15,789	-	15,789	-	15,789	-	0.00%
City Strategy and Economy	397	-	397	64	397	-	0.00%
Communities and Families	45,781	-	45,781	7,064	45,781	-	0.00%
Edinburgh Integration Joint Board Place	4,167	-	4,167	1,508	4,167	-	0.00%
Resources - Asset Management Works	83,362	-	83,362	5,638	83,362	-	0.00%
	10,936	-	10,936	1,150	10,936	-	0.00%
Total Gross Expenditure	160,432	-	160,432	15,424	160,432	-	0.00%

Resources

<i>Capital Receipts</i>							
General Services	19,634	-	19,634	576	19,634	-	0.00%
Less additional receipt income to capital fund	(5,559)	-	(5,559)	-	(5,559)	-	0.00%
Ring-fenced asset sales	4,895	-	4,895	27	4,895	-	0.00%
<i>Total Capital Receipts from Asset Sales</i>	<i>18,970</i>	<i>-</i>	<i>18,970</i>	<i>603</i>	<i>18,970</i>	<i>-</i>	<i>0.00%</i>
Developer and other Contributions	7,468	-	7,468	1,798	7,468	-	0.00%
Capital Grants Unapplied Account drawdown	808	-	808	649	808	-	0.00%
<i>Total Capital Receipts</i>	<i>27,246</i>	<i>-</i>	<i>27,246</i>	<i>3,050</i>	<i>27,246</i>	<i>-</i>	<i>0.00%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	41,626	-	41,626	10,407	41,626	-	0.00%
Cycling, Walking and Safer Streets	540	-	540	-	540	-	0.00%
Management Development Funding	29,248	-	29,248	-	29,248	-	0.00%
<i>Total Grants</i>	<i>71,414</i>	<i>-</i>	<i>71,414</i>	<i>10,407</i>	<i>71,414</i>	<i>-</i>	<i>0.00%</i>
Total Resources	98,660	-	98,660	13,457	98,660	-	0.00%

Balance to be funded through borrowing	61,772	-	61,772		61,772	-	0.00%
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PRUDENTIAL INDICATORS 2016/17 - Period 3**Indicator 1 - Estimate of Capital Expenditure**

	2015/16 Estimate £000	2015/16 Actual £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	2020/21 Estimate £000	2020/21 Forecast £000
Children & Families	46,877	48,181	0	0	0	0	0	0	0	0	0	0
Corporate Governance	2,729	7,407	0	0	0	0	0	0	0	0	0	0
Economic Development	58	42	0	0	0	0	0	0	0	0	0	0
Health & Social Care	6,328	5,680	0	0	0	0	0	0	0	0	0	0
Services for Communities	76,616	77,149	0	0	0	0	0	0	0	0	0	0
SfC - Asset Management Programme	13,224	14,516	0	0	0	0	0	0	0	0	0	0
Other Capital Projects	259	3,014	0	0	0	0	0	0	0	0	0	0
Unallocated funding - indicative 5 year plan 2016/17												
2023 funding	0	0	0	0	0	0	0	0	7,000	7,000	7,000	7,000
Chief Executive	0	0	17,291	15,789	1,125	1,125	0	0	0	0	0	0
City Strategy and Economy	0	0	508	397	363	1,230	0	0	0	0	0	0
Communities and Families	0	0	50,436	45,781	7,595	23,064	10,184	12,984	14,766	6,709	558	165
Edinburgh Integration Joint Board	0	0	4,229	4,167	114	152	0	0	0	0	0	0
Place	0	0	98,896	83,362	72,101	92,026	30,719	32,154	24,201	72,698	19,834	19,835
Resources - Asset Management Works	0	0	24,044	10,936	11,035	12,944	8,436	8,334	19,173	29,097	14,000	14,000
Total General Services	146,091	155,989	195,404	160,432	92,333	130,541	49,339	53,472	65,140	115,504	41,392	41,000
Housing Revenue Account	38,253	35,626	48,508	44,334	65,708	65,708	76,500	76,500	84,794	84,794	85,022	85,022
Total	184,344	191,615	243,912	204,766	158,041	196,249	125,839	129,972	149,934	200,298	126,414	126,022

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget motion in January 2016. Differences between these and the 'forecast' figures relate to further realignment and rephasing that has taken place as part of the revised budget process. Note that 2015/16 is presented in the former council structure whilst 2016/17 onwards represents the most up to date structure based on Council transformation.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2015/16 Estimate %	2015/16 Actual %	2016/17 Estimate %	2016/17 Forecast %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Services	12.03	11.51	12.00	12.00	11.94	11.66	11.55	N/A
Housing Revenue Account	35.40	37.31	36.64	35.38	39.33	40.73	42.49	44.60

Figures for 2017/18 onwards are indicative as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan that ends to 2019/20. HRA figures are based on the current business plan.

Indicator 3 - Capital Financing Requirement

	2015/16 Estimate £000	2015/16 Actual £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	2020/21 Estimate £000	2020/21 Forecast £000
General Services (including finance leases)	1,317,584	1,275,213	1,297,933	1,267,088	1,260,004	1,265,506	1,191,945	1,202,432	1,133,225	1,194,872	1,064,001	1,126,875
Housing Revenue Account	374,029	357,602	377,947	364,047	387,821	376,709	406,950	398,841	437,419	432,424	474,861	471,584
Total	1,691,613	1,632,815	1,675,880	1,631,135	1,647,825	1,642,215	1,598,895	1,601,273	1,570,644	1,627,296	1,538,862	1,598,459

Forecasts include the capital financing requirement relating to PPP assets. Note that the difference between the estimated and actual figure in 15/16 is due to the EICC Atria receipt settling in 15/16 rather than in 16/17 as envisaged, leading to repayment of the outstanding capital advance on this and a reduction in the Capital Financing Requirement.

Indicator 4 - Authorised Limit for External Debt

	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	2020/21 Estimate £000	2020/21 Rev Est £000
Borrowing	1,591,015	1,591,015	1,617,379	1,617,379	1,630,954	1,630,954	1,558,749	1,558,749	1,507,508	1,507,508
Credit Arrangements	226,589	226,600	215,777	215,787	205,412	205,420	195,958	195,965	187,755	187,763
Total	1,817,604	1,817,615	1,833,156	1,833,166	1,836,366	1,836,374	1,754,707	1,754,714	1,695,263	1,695,271

Credit Arrangements includes both the short and long term liabilities relating to finance leases and PFI assets.

Indicator 5 - Operational Boundary for External Debt

	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	2020/21 Estimate £000	2020/21 Rev Est £000
Borrowing	1,491,015	1,491,015	1,487,329	1,487,329	1,520,904	1,520,904	1,478,699	1,478,699	1,457,458	1,457,458
Credit Arrangements	226,589	226,600	215,777	215,787	205,412	205,420	195,958	195,965	187,755	187,763
Total	1,717,604	1,717,615	1,703,106	1,703,116	1,726,316	1,726,324	1,674,657	1,674,664	1,645,213	1,645,221

Credit Arrangements includes both the short and long term liabilities relating to finance leases and PFI assets.

Indicator 6 - Impact on Council Tax and House Rents

	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	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	2.46	-2.10	9.17	-1.75	13.68	11.78	18.02	22.80	N/A	N/A
for the average weekly housing rents	-0.19	-0.19	-0.68	-0.68	-0.50	-0.50	0.55	0.55	3.50	3.50

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 the Limited Liability Partnerships (LLPs) 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 2016.

CAPITAL MONITORING 2016/17**Housing Revenue Account Summary****Period 3**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	44,334	6,918	44,334	0	0.0%
Total Gross Expenditure	44,334	6,918	44,334	0	0.0%

Resources					
Capital Receipts	-4,183	-77	-4,183	0	0.0%
Developers and Other Contributions	-11,847	-880	-11,847	0	0.0%
Specific Capital Grant	-5,274	-555	-5,274	0	0.0%
Total Resources	-21,304	-1,512	-21,304	0	0.0%

Borrowing					
Borrowing	23,030	5,406	23,030	0	0.0%
Total	23,030	5,406	23,030	0	0.0%