Governance, Risk and Best Value Committee

10.00am, Tuesday 19 February 2019

Capital Monitoring 2018/19 – Month Nine – referral from the Finance and Resources Committee

Item number	7.5
Report number	
Wards	All
Council Commitments	

Executive summary

On 1 February 2019, the Finance and Resources Committee considered a report which set out the overall position of the Council's capital budget at the month nine position (based on month eight data) and the projected outturn for the year. The report has been referred to the Governance, Risk and Best Value Committee as part of its work-plan.

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Terms of Referral

Capital Monitoring 2018/19 – Month Nine – referral from the Finance and Resources Committee

Terms of referral

1.1 The month nine position showed that the Council was projected to require loans fund advances of £55.126m and would be in receipt of grants and capital income amounting to £145.500m. Together this would fund projected capital investment of £200.626m. Loans fund advances were projected to be lower than the revised budget as a result of slippage in the programme.

1.2 The Housing Revenue Account (HRA) capital investment programme was projecting to require loans fund advances of £16.209m and would be in receipt of grants and capital income amounting to £63.990m. Together this would fund projected capital investment of £80.199m.

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the projected capital outturn position on the General Fund and HRA at month nine.

1.3.2 To note the prudential indicators at month nine.

1.3.3 To note that the Head of Finance was closely monitoring the capital receipts position.

1.3.4 To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

For Decision/Action

2.1 The Governance, Risk and Best Value Committee is asked to consider this report as part of its work-plan.

Background reading / external references

Finance and Resources Committee 1 February 2019

Laurence Rockey

Head of Strategy and Communications

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Links

Appendices	Appendix 1 – report by the Executive Director of Resources

Appendix 1

Finance and Resources Committee

10.00am, Friday, 1 February 2019

Capital Monitoring 2018/19 – Month Nine

Item number	
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The month nine position shows that the Council is projected to require loans fund advances of £55.126m and will be in receipt of grants and capital income amounting to £145.500m. Together this will fund projected capital investment of £200.626m. Loans fund advances are projected to be lower than the revised budget as a result of slippage in the programme.

The Housing Revenue Account (HRA) capital investment programme is projecting to require loans fund advances of £16.209m and will be in receipt of grants and capital income amounting to £63.990m. Together this will fund projected capital investment of £80.199m.

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Report

Capital Monitoring 2018/19 – Month Nine

1. Recommendations

1.1 Members of the Finance and Resources Committee are requested to:

1.1.1 Note the projected capital outturn position on the General Fund and HRA at month nine;

1.1.2 Note the prudential indicators at month nine;

1.1.3 Note that the Head of Finance 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.

2. Background

2.1 This report sets out the overall position of the Council's capital budget at the month nine position (based on month eight data) and the projected outturn for the year.

3. Main report

Existing Capital Plans

3.1 The position at month nine, based on period eight data, is summarised in the table below.

	Outturn Variance at Month Nine £000	Outturn Variance at Month Five £000	Movement from Month Five £000
Net (slippage) / acceleration in gross expenditure	(38,167)	(23,558)	(14,609)
Net surplus / (deficit) in capital receipts and grant income	(9,928)	(13,949)	4,021
Net increase / (decrease) in loans fund advances	(28,239)	(9,609)	(18,630)

3.2 The position at month nine can be seen in Appendix 1, which shows the Capital Investment Programme gross expenditure budget of £200.626m funded by grants and other capital income of £145.500m and loans fund advances of £55.126m.

3.3 There were no rephasing adjustments to the revised gross expenditure budget since those reported to Finance and Resources Committee on 4 December 2018.

3.4 The Capital Investment Programme for 2018/19 amounts to £238.793m an increase of £12.287m since period five (£226.506m) which primarily relates to an increased allocation from the Scottish Government for the Affordable Housing Supply Programme, funded by the Transfer of Management of Development Funding (TMDF) grant, and the acquisition of the remaining equity stake in one of the National Housing Trust Limited Liability Partnerships, funded from the Council Tax Discount Fund.

3.5 The projected slippage in gross expenditure has increased by £14.609m to £38.167m (Period 5, £23.558m). Acceleration in depot rationalisation projects (£3.338m) and Saughton Park (£4.43m) has been more than offset by slippage identified in highways, street lighting and transportation projects (£9.573m), timing of the on-lending to Edinburgh Living LLP for the acquisition of homes (£3.713m), contingency provision for completion of Wave 3 schools projects (£2.913m), conversion of Queensferry High School to a DBFM project, delay in Meadowbank project (£1.00m) and determination of the full extent and funding for project at Hunters' Hall (£0.995m). Projected general slippage against the programme of £5.789m has reduced by £0.348m, reflecting the budget rephrasing approved in the report to the Committee on 4 December 2018.

3.6 Further slippage in the ICT programme (£4.206m) is expected arising from a reprofiling of the payment profile of the revised delivery schedule following the contract reset with CGI. This change will not impact on the revised delivery schedule reported to Governance, Risk and Best Value Committee on 31 July 2018 which is now in place and will be managed by the Head of Customer and Digital Services.

3.7 Projects for infrastructure requirements under the Early Years Initiative are still expected to slip by £11.297m however this is an improvement to the position anticipated at period five (£14.025m). The associated specific capital grant received to date will be matched to actual expenditure and any grant unapplied in 2018/19 will be transferred to the Capital Grants Unapplied Account and drawn down in future years. Further work is being undertaken in conjunction with Communities and Families to develop delivery and expenditure profiles for each project within the Early Years Initiative which will be incorporated in the revised Capital Investment programme and reported to the committee.

3.8 Explanations for significant slippage and acceleration for General Fund projects projected at month nine are presented in Appendix 2.

3.9 Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances out with the control of the Council. An assumption of further slippage in the Programme of 5% of the revised budget, excluding lending and the Management Development Funding which is specifically grant supported, amounting to £5.789m, has been made at this stage in the financial year. This general provision and specific project variances will be kept under review throughout the remainder of the year and amended as appropriate.

Capital receipts / grant income

3.10 Projected capital receipts from the sale of surplus assets, including those ringfenced for specific projects, are anticipated to be lower than the budgeted level by £9.928m, compared to £13.949m at period five. The improvement from period five relates primarily to the improvement in the delivery programme for projects in the Early Years Initiative and the reduction in the carry forward of the Early Years grant noted in paragraph 3.7.

3.11 Members should also be aware that the value and timing of capital receipts can be impacted by a number of factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any further revisions to the receipts programme will be reported within future capital monitoring reports.

Housing Revenue Account (HRA)

3.12 The Housing Revenue Account is forecasting slippage in gross expenditure of £0.736m compared to a balance budget at month five.

3.13 The HRA budget for capital receipts of £19.431m includes a budget of £13.508m of receipts from Edinburgh Living LLP for the sale of mid-market and market rent homes constructed by the HRA within the overall house building programme. The HRA is now projected to receive £9.156m in capital receipts from Edinburgh Living LLP and grant income of £1.628m from the Scottish Government for the sale of completed homes in 2018/19. In addition, grant income of £2.772m is projected for homes currently under construction. Total capital income forecast in 2018/19 therefore amounts to £13.556m which exceeds the revised budget of £13.508m. This represents a change of profile of the pipeline of delivery and the total receipts achieved across the programme remain the same.

3.14 The full HRA capital investment budget position is shown in Appendix 3. At month nine, the forecast is gross expenditure of £80.199m, capital receipts and grant income of £63.990m and loans fund advances of £16.209m.

3.15 Explanations for significant slippage and acceleration for HRA projects projected at month nine are presented in Appendix 4.

3.16 The slippage is primarily due to difficulties in progressing improvements in mixed tenure blocks. This has largely been offset by the acceleration of the new build programme and the acquisition of ex-Council homes to consolidate Council owned blocks. An update on the Mixed Tenure Improvement Strategy was reported to Housing and Economy Committee on 24 January 2019, which set out the changes to policy and practice and the resources required to support the mixed tenure investment programme.

3.17 Despite the projected slippage, the capital programme is forecasting an outturn of over £80m in 2018/19, which has nearly doubled in the last two years.

Prudential Indicators

3.18 The Prudential Indicator monitoring at month nine is shown in Appendix 5.

3.19 Members are asked to note that the Council's Capital Financing Requirement is expected to breach its Operational Boundary for External Debt by £29m at 31 March 2019 but remain within the authorised limits. The Operational boundary breach is forecast to extend for the full period of the reported Indicators with the highest amount of the breach being £87m at 31 March 2023.

3.20 The Prudential Code, under which Local Authorities are required to operate notes that cashflow variations may lead to the occasional breach of the operational boundary. The setting of this operational boundary is a matter of careful judgement. If it is set too high, then it may be too near the authorised limit for it to operate effectively and enable appropriate action to be undertaken or assurance given to ensure the authorised limit is not breached. Alternatively, if it is set too low, it will be breached so frequently that it will cease to act as a credible warning indicator.

3.21 The breach of the Operational boundary reported in paragraph 3.19 is as a result of the inclusion of payments, cumulatively estimated at £136m in 2018/19, relating to the residual waste contract with FCC as a credit arrangement following clarification of the proper accounting treatment of the service concession as detailed below at Indicator 5 in Appendix 5. The asset will be recognised on the Council's balance sheet at 31 March 2019 as it moves into operational use. The Council entered into this contract with FCC in 2016 and the funding to support these contract payments had previously been built into revenue budgets and therefore the liabilities are fully funded.

3.22 The Authorised Boundary for External Debt is not anticipated to be breached.

3.23 Revised boundary limits will be brought for Members approval at the Council budget meeting on 21 February 2019.

4. Measures of success

4.1 Completion of capital projects as budgeted for in the revised 2018/19 capital programme.

4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

5. Financial impact

5.1 The projected 2018/19 general fund outturn outlines loans fund advances of £55.126m. The overall loan charges associated with this over a 20-year period would be a principal amount of £55.126m, interest of £35.106m, resulting in a total cost of £90.232m based on a loans fund interest rate of 5.0%. The loan charges will be interest only in the first year, at a cost of £1.392m, followed by an annual cost of £4.442m for 20 years.

5.2 The projected 2018/19 HRA outturn outlines loans fund advances of £16.209m. The overall loans charges associated with this over a 20-year period would be a principal amount of £16.209m, interest of £10.322m, resulting in a total cost of £26.531m based on a loans fund rate of 5.0%. The loan charges will be interest only in the first year, at a cost of £0.411m followed by an annual cost of £1.306m for 20 years.

5.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

5.4 The loan charge costs outlined above will be met from this year's general fund and HRA revenue budgets for loan charges.

6. Risk, policy, compliance and governance impact

6.1 Significant budget virements have been undertaken and these 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 Strategy and Insight service. The nature of capital projects means that there is an inherent risk of delays or unforeseen circumstances out with the control of the Council.

7. 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.

8. 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 considered.

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.

9. Consultation and engagement

9.1 Consultation on the capital budget was undertaken as part of the budget process.

10. Background reading/external references

10.1 Capital_monitoring_2018-19 - _half-year position – Finance and Resources Committee, 4 December 2018

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Executive Director of Resources

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11. Appendices

Appendix 1 - Capital Monitoring 2018/19 – General Fund

Appendix 2 - Slippage and Acceleration on Projects – General Fund

Appendix 3 - Capital Monitoring 2018/19 – HRA

Appendix 4 - Slippage and Acceleration on Projects – HRA

Appendix 5 - Prudential Indicators 2018/19

Capital Monitoring 2018/19

General Fund Summary

Period 9 (based on Period 8)

Expenditure	Approved Budget £000	Adjusts £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Communities and Families	54,597	(2,935)	51,662	21,030	31,778	(19,884)	38.49%
Edinburgh IJB	2,727	(2,711)	16	169	182	166	n/a
Place	110,084	6,356	116,440	62,215	113,044	(3,396)	2.92%
Resources - Asset Management Works	17,575	4	17,579	9,890	16,081	(1,498)	8.52%
Resources - Other	16,221	(8,203)	8,018	978	3,965	(4,053)	50.55%
Lending	45,078	-	45,078	4,771	41,365	(3,713)	8.24%
General slippage in programme 5% (excluding lending and TMDF)					(5,789)	(5,789)	n/a
Council Wide Projects							
Developers Contributions invested for expenditure in future years			-	7,748	-	-	n/a
Total Gross Expenditure	**246,282**	**(7,489)**	**238,793**	**106,801**	**200,626**	**(38,167)**	**-15.98%**

Income							
Capital Receipts							
General Services	11,715		11,715	828	11,715	-	0.00%
Ringfenced Asset Sales	6,395	266	6,661	349	6,661	-	0.00%
Less Fees Relating to Receipts	-	-	-	(38)	(38)	(38)	n/a
Total Capital Receipts from Asset Sales	*18,110*	*266*	*18,376*	*1,139*	*18,338*	*(38)*	*-0.21%*
Less additional receipt income to capital fund	(809)	-	(809)	-	(809)	-	0.00%
Drawdown from Capital Fund	14,782	-	14,782		14,782	-	0.00%
Developer and other Contributions	2,319	4,688	7,007	9,455	7,007	-	0.00%
Capital Grants Unapplied Account drawdown	3,451	91	3,542	1,037	958	(2,584)	72.95%
Total Capital Receipts	*37,853*	*5,045*	*42,898*	*11,631*	*40,276*	*(2,622)*	*-6.11%*
Grants							
Scottish Government General Capital Grant	49,405	-	49,405	32,937	49,405	-	0.00%
Cycling, Walking and Safer Streets	691	-	691	-	691	-	0.00%
Management Development Funding	41,269	8,000	49,269	23,695	49,269	-	0.00%
Early Years and Childcare - Expansion	12,400	-	12,400	12,400	12,400	-	0.00%
Other Specific Government Grants	765	-	765	2,427	765	-	0.00%
Less Early Years Carried Forward					(7,306)	(7,306)	n/a
Total Grants	*104,530*	*8,000*	*112,530*	*71,459*	*105,224*	*(7,306)*	*-6.49%*
Total Income	**142,383**	**13,045**	**155,428**	**83,090**	**145,500**	**(9,928)**	**-6.39%**

Balance to be funded through Loans Fund Advance	**103,899**	**(20,534)**	**83,365**		**55,126**	**(28,239)**	**-33.87%**

CAPITAL MONITORING 2018/19 - Period 9
Slippage and Acceleration on Projects
Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

Key to variance category

Type	*Explanation*
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.
5. Projected Underspend on a project	Projects where the final outturn is expected to be below budget.

Note that a project will exhibit an element of all of the above but the overriding reason has been considered when applying a variance category.

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Communities and Families					
Early Years 2020	-11,297	-14,025	2,728	Delays resulting from the late announcement of complete funding package	1
St Crispins	-309	-309	0	Delays due to flood risk assessment	1
Queensferry PS	0	-304	304	Better progress on site than anticipated	4
Leith Victoria PS	-336	-207	-129		2
Broomhills PS	320	0	320	Better progress on site than anticipated	4
New South Edinburgh PS	282	0	282	Better progress on site than anticipated	4
Duncan Place development	167	0	167	Spend in advance of settlement of ring fenced capital receipt	4
Oxgangs YPC	-86	-82	-4	Delay in appointing contractor. The contractor has now been appointed and the project is scheduled to complete in Summer 2019	1
Wave 3 unallocated contingency	-2,913	0	-2,913	Contingency for completion of Wave 3 projects at St Johns PS, St Crispins and park at former Portobello HS site	2
Park at Former Portobello HS site	-598	0	-598		2
New Queensferry HS	-1,848	0	-1,848	Funding to revert to revenue as this is now a DBFM contract	3
New Craigmillar HS	-323	0	-323	issue of NPR has been delayed by derogation process of Authority Construction Requirements	1
Rising School Rolls 5 projects	-996	0	-996	Rising Rolls 5 – 2 classroom new build at Stockbridge PS was in the scope to be delivered and then slipped to following year into Rising Rolls 6	2
Rising School Rolls 6 projects	1,354	0	1,354	Better progress on site than anticipated	4
Library Suspense	-350	0	-350	Out of Hours project to be implemented as library hubs develop.	2
George IV Bridge Library	-365	0	-365	Project on hold awaiting further funding	2
Hunters Hall Cycle Hub and Pitch	-995	0	-995	Full scope and funding for the project is still under development	2
Meadowbank Sports Centre	-1,000	0	-1,000	The appointment of the contractor has allowed for a reprofiling of the budget to reflect the phasing of works.	2
Net (slippage) / acceleration on various projects	-591	0	-591		4
Total Communities and Families	**-19,884**	**-14,927**	**-4,957**		

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Edinburgh Integrated Joint Board					
Net (slippage) / acceleration on various projects	166	0	166		4
Total Edinburgh Integrated Joint Board	**166**	**0**	**166**		
Place					
North Bridge major refurbishment	-6,932	-6,835	-97	The appointment of the contractor has allowed for a reprofiling of the budget to reflect the phasing of works.	3
Burnshot Bridge	-467	0	-467	Delays in project start. Delayed for one month.	2
Bridge Strengthening	-599	0	-599	Two projects are the cause. Market St = Delayed from October to Spring. Greendykes Footbridge = legal issues surrounding developer going into liquidation.	2
Bus Priority Schemes / Bus Shelters	-251	0	-251	Full budget spend not possible due to volume of order with associated lengthy manufacture & delivery time.	2
Home Owners' Adaptation Grants	-229	0	-229	Demand led grant assistance scheme	2
Street Lighting LED - rephasing	-660	-119	-541	The appointment of the contractor has allowed for a reprofiling of the budget to reflect the phasing of works (Delays in receiving new lanterns. Amey doing other low cost works from later years of the programme, therefore no delay in overall project)	3
St Andrews Square	-435	-433	-2	Delays in the programme to align with the work being planned for George St	2
Walking Pojects	-475	-583	108	Projects on hold to a lack of internal staff	2
Seafield depot - Phase 2	203	500	-297	The project has accelerated due to better than expected progress by the contractor	4
Bankhead Waste Transfer Station depot	3,135	2,939	196	The project has accelerated due to better than expected progress by the contractor	4
Cycle projects	500	-449	949	Acceleration of Community Links and Sustrans funded projects in advance of receipt of grant income.	4
Cycle project - Meadows to George St	265	0	265	Acceleration of Community Links and Sustrans funded projects in advance of receipt of grant income.	4
Cycle project - West Edinburgh Active Travel Network	270	0	270	Acceleration of Community Links and Sustrans funded projects in advance of receipt of grant income.	4
Water of Leith - phase 2	-1,044	-1,051	7	Final account of the project is being finalised and and may result in a further underspend which will be returned to the Roads block for use in 2019/20.	5
Saughton Park - HLF	4,430	4,430	0	Expenditure incurred in advance of receipt of grant income support	4
Salvesen Steps	-512	0	-512	Full scope and funding for the project is still under development	2
LDP Roads Obligations (ex WETA)	-500	0	-500	LDP development infrastructure requirements being determined	2
Net (slippage) / acceleration on various projects	-95	605	-700		4
Total Place	**-3,396**	**-996**	**-2,400**		
Resources - Asset Management Works					
Slippage across the Asset Management Works programme	-1,498	-1,498	0		2

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Total Resources - Asset Management Works	**-1,498**	**-1,498**	**0**		
Resources - Other					
ICT Contract	-4,206	0	-4,206	Reset of contract	2
Net (slippage) / acceleration on various projects	153	0	153		2
Total Resources - Other	**-4,053**	**0**	**-4,053**		
Lending					
Edinburgh Living LLP	-3,713	0	-3,713	Delays in the completion of MMR homes for sale to Edinburgh Living LLP	2
	-3,713	**0**	**-3,713**		
Council Wide / Corporate Projects					
Net (slippage) / acceleration on various projects	-5,789	-6,137	348		2
Total Council Wide / Corporate Projects	**-5,789**	**-6,137**	**348**		
Total for all Services	**-38,167**	**-23,558**	**-14,609**		

Summary of Variance Category

		Period 9 £000	Period 5 £000	Movement between periods £000
1	Slippage due to unforeseen delays	-12,015	-14,025	2,010
2	Slippage due to optimistic budget	-26,074	-10,002	-16,072
3	Slippage due to timing of payments	-9,440	-6,954	-2,486
4	Acceleration on a project	10,406	8,474	1,932
5	Projected final underspend	-1,044	-1,051	7
		-38,167	-23,558	-14,609

Appendix 3

CAPITAL MONITORING 2018/19

Housing Revenue Account Summary

Period 9

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Expenditure					
Core Housing Improvement	33,744	15,170	29,100	-4,644	-13.8%
Other Housing Improvement	5,665	5,623	7,573	1,908	33.7%
House Building Programme	41,526	27,935	43,526	2,000	4.8%
Total Gross Expenditure	80,935	48,728	80,199	-736	-0.9%

Income					
Capital Receipts	19,431	9,817	15,079	-4,352	-22.4%
Developers and Other Contributions	27,740	0	33,162	5,422	19.5%
Specific Capital Grant	11,349	1,874	15,749	4,400	38.8%
Total Income	58,520	11,691	63,990	5,470	9.3%

Loans Fund Advances					
Loans Fund Advances	22,415		16,209	-6,206	-27.7%
Total	22,415		16,209	-6,206	-27.7%

CAPITAL MONITORING 2018/19 - Period 9 - HRA Projects
Slippage and Acceleration on Projects
Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

Key to variance category

Type	*Explanation*
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.
5. Projected Underspend on a project	Projects where the final outturn is expected to be below budget.

Note that a project will exhibit an element of all of the above but the overriding reason has been considered when applying a variance category.

	Period 9 £000	**Period 5 £000**	**Movement between periods £000**	**Explanations for Significant Slippage / Acceleration**	**Variance Category**
HRA (non GF)					
Housing Investment on Existing Homes	-4,643	0	-4,643	Enagement with and concensus from owners and private landlords remains as a major risk to progress mixed tenure related improvements, such as door entry system, external fabric, and place making project. A Mixed Tenure Improvement Strategy report to the Housing and Economy Committee on 24 January 2019 proposed changes to policy/ practice and the resources required to support the delivery of improvements in mixed tenure areas. The contract tendering work of some parts of the programme was delayed as staff resource was diverted to deal with urgent emerging issues, such as those in relation to the high rise blocks in the city.	1
Neighbourhood Investment	300	0	300	The streamlined process that was put in place last year is now fully embedded and allows more projects to be delivered more quickly.	4
Community Care (adaptation to Council homes)	-358	0	-358	The budget is set each year based on trends from previous years, but is flexible to respond to demand. The year end projection is based on current caseload.	1
House Building Programme & wider regeneration	2,454	0	2,454	The new build programmes continues to spend broadly in line with budget with good progress on the small sites and in Craigmillar town centre. In the last reporting period new homes the Council has taken handover of 44 new affordable homes at Clermiston, 37 at Calder Gardens and 29 at West Pilton Grove.	4
Net (slippage)/ accelerration on various projects	1,511	0	1,511	Most of the accelerration is relating to acqusition of ex-Council homes, in aid of consolidating Council owned blocks.	4

		Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Total Housing Revenue Account		**-736**	**0**	**-736**		
Summary of Variance Category						
1	Slippage due to unforeseen delays	-5,001	0	-5,001		
2	Slippage due to optimistic budget	0	0	0		
3	Slippage due to timing of payments	0	0	0		
4	Acceleration on a project	4,265	0	4,265		
5	Projected final underspend	0	0	0		
		-736	0	-736		

PRUDENTIAL INDICATORS 2018/19 - Period 9

Indicator 1 - Estimate of Capital Expenditure

	2017/18 Actual £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	2021/22 Estimate £000	2021/22 Forecast £000	2022/23 Estimate £000	2022/23 Forecast £000
Council Wide / Corporate Projects	364	0	0	0	0	0	0	0	0	0	0
Unallocated funding	0	0	0	10,411	10,411	0	0	0	0	0	0
Unallocated funding - LDP priorities	0	0	0	12,525	12,525	0	0	0	0	0	0
Lending	6,470	45,078	41,365	25,618	18,118	57,542	75,424	73,665	55,104	87,065	76,692
Communities and Families	35,989	51,008	31,778	61,297	80,527	31,167	31,167	14,207	14,207	165	165
Edinburgh Integration Joint Board	496	16	182	4,240	4,073	5,000	5,000	5,000	5,000	0	0
Place	85,267	116,440	113,044	132,000	135,396	103,314	103,314	29,963	29,963	31,785	31,785
Resources	3,503	8,018	3,965	7,500	11,553	0	0	0	0	0	0
Resources - Asset Management Works	10,990	17,579	16,081	30,000	31,498	30,000	30,000	25,516	25,516	20,450	20,450
Trams	2,383	0	0	0	0	0	0	0	0	0	0
General slippage / acceleration across programme (5%)	0	0	-5,789	0	-6,816	0	4,131	0	4,740	0	1,114
Total General Services	145,462	238,139	200,626	283,591	297,285	227,023	249,036	148,351	134,530	139,465	130,206
Housing Revenue Account	72,816	80,934	80,199	165,278	108,954	144,967	142,251	150,617	177,531	167,179	171,392
Total	218,278	319,073	280,825	448,869	406,239	371,990	391,287	298,968	312,061	306,644	301,598

The 'Lending' figures relate to lending by the Council to National Housing Trust (NHT) bodies and Edinburgh LLP. The LLP figures are based on a pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council. The figures shown are indicative.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2017/18 Actual %	2018/19 Estimate %	2018/19 Forecast %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
General Services	11.63	11.38	11.44	11.65	11.68	N/A	N/A
Housing Revenue Account	37.88	39.64	38.69	41.76	43.85	45.28	47.53

Figures for 2019/20 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 current long term financial plan that ends in 2022/23. HRA figures are based on the current business plan.

Appendix 5

Indicator 3 - Capital Financing Requirement

	2017/18 Actual £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	2021/22 Estimate £000	2021/22 Forecast £000	2022/23 Estimate £000	2022/23 Forecast £000
General Services (including finance leases)	1,128,069	1,101,731	1,078,058	1,208,898	1,198,491	1,258,050	1,254,134	1,214,231	1,220,050	1,147,338	1,157,549
Edinburgh Living LLPs	0	12,870	9,156	33,614	22,397	86,647	93,353	159,189	147,405	244,291	222,200
NHT LLPs	66,725	98,933	98,933	103,651	103,651	107,693	107,693	107,693	107,693	107,693	107,693
Housing Revenue Account	381,070	384,112	377,822	438,190	415,545	466,873	414,058	488,779	474,986	489,859	518,770
Total	1,575,864	1,597,646	1,563,969	1,784,353	1,740,084	1,919,263	1,869,238	1,969,892	1,950,134	1,989,181	2,006,212
New Residual Waste Facility Service Concession		0	136,406	0	132,686	0	128,836	0	124,851		120,726
Total Capital Financing Requirment		1,597,646	1,700,375	1,784,353	1,872,770	1,919,263	1,998,074	1,969,892	2,074,985	1,989,181	2,126,938

Forecasts include the capital financing requirement relating to PPP and similar assets and advances to NHT and Edinburgh Living LLPs

Indicator 4 - Authorised Limit for External Debt

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	1,955	1,999	2,054	2,014	1,961
Credit Arrangements	196	229	220	210	201
Total	2,151	2,228	2,274	2,224	2,162

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

Indicator 5 - Operational Boundary for External Debt

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	1,475	1,599	1,744	1,804	1,861
Other Long-Term Liabilities	196	229	220	210	201
Total	1,671	1,828	1,964	2,014	2,062

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

Memorandum

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Operational Boundary for External Debt	1,671	1,828	1,964	2,014	2,062
Forecast Capital Financing Requirement from Indicator 3 without Waste contract	1,564	1,740	1,869	1,950	2,006
Headroom	107	88	95	64	56
Forecast impact on CFR of Waste Contract	136	133	129	125	121
Forecast Breach of Operational Boundary for External Debt	-29	-45	-34	-61	-65

Appendix 5

Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans

	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000
Loans Fund Pooled Interest Rate 5.0%					
General Fund Services (excluding Lending)					
Loans Fund Advances in year	13,761	141,677	122,612	38,426	12,514
Year 1 - interest only	348	3,581	3,099	971	316
Year 2 - principal and interest	1,109	11,416	9,880	3,096	1,008
Housing Revenue Account (HRA)					
Loans Fund Advances in year	16,209	59,511	24,289	90,200	77,152
Year 1 - interest only	411	1,886	1,274	1,136	804
Year 2 - Core Programme - principal and interest	538	1,388	1,349	2,225	3,200
Year 2 - House Building Programme - principal and interest	624	3,752	2,202	1,491	0

The cost of servicing capital advances shown in this Indicator excludes those attributable to the advances to NHT and Edinburgh Livings LLPs as these are fully recoverable from those bodies.