

Governance, Risk and Best Value Committee

10.00am, Tuesday 21 September 2021

2021-31 Sustainable Capital Budget Strategy – Outturn 2020/21 and Revised Budget 2021/22 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Finance and Resources Committee has referred a report on the 2021-31 Sustainable Capital Budget Strategy – Outturn 2020/21 and Revised Budget 2021/22 to the Governance, Risk and Best Value Committee as part of its work programme.

Stephen S Moir
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer
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Referral Report

2021-31 Sustainable Capital Budget Strategy – Outturn 2020/21 and Revised Budget 2021/22

2. Terms of Referral

- 2.1 On 12 August 2021, the Finance and Resources Committee considered a report which provided capital expenditure and funding outturns for 2020/21, providing explanations for key variances.
- 2.2 The Finance and Resources Committee agreed:
 - 2.2.1 To note the 2020/21 unaudited capital outturn for the Council's General Fund and Housing Revenue Account (HRA).
 - 2.2.2 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.
 - 2.2.3 To approve the revised capital budget strategy for the financial year 2021/22, as set out in Appendix 3 to the report by the Executive Director of Corporate Services.
 - 2.2.4 To note a further update on the Sustainable Capital Budget Strategy would be brought to Finance and Resources Committee on 7 October 2021, with a focus on addressing the funding pressure identified in this report.
 - 2.2.5 To note the revised HRA capital budget strategy for the financial year 2021/22, as approved by the Housing, Homelessness and Fair Work Committee and set out in Appendix 4 to the report.
 - 2.2.6 To note the Council's Prudential Indicators for the Revised Budget 2021/22, as set out in Appendix 5 to the report.
 - 2.2.7 To note that the National Housing Trust (NHT) advances for Sailmaker and Telford North had been repaid in full, in accordance with the NHT scheme.

3. Background Reading/ External References

- 3.1 [Finance and Resources Committee – 12 August 2021 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee of 12 August 2021

4. Appendices

4.1 Appendix 1 – report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 12 August 2021

2021-31 Sustainable Capital Budget Strategy – Outturn 2020/21 and Revised Budget 2021/22

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| Executive/routine Wards Council Commitments | Executive All |
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1. Recommendations

- 1.1 To note the 2020/21 unaudited capital outturn for the Council's General Fund and Housing Revenue Account (HRA);
- 1.2 To refer the report to the Governance Risk and Best Value Committee as part of its work programme;
- 1.3 To approve the revised capital budget strategy for the financial year 2021/22, as set out in Appendix 3;
- 1.4 To note a further update on the Sustainable Capital Budget Strategy will be brought to Finance and Resources Committee on 7 October 2021, with a focus on addressing the funding pressure identified in this report.
- 1.5 To note the revised HRA capital budget strategy for the financial year 2021/22, as approved by Housing Homelessness and Fair Work committee and set out in Appendix 4;
- 1.6 To note the Council's Prudential Indicators for the Revised Budget 2021/22, as set out in Appendix 5; and,
- 1.7 To note that the National Housing Trust (NHT) advances for Sailmaker and Telford North have been repaid in full, in accordance with the NHT scheme.

Stephen S. Moir
Executive Director of Corporate Services

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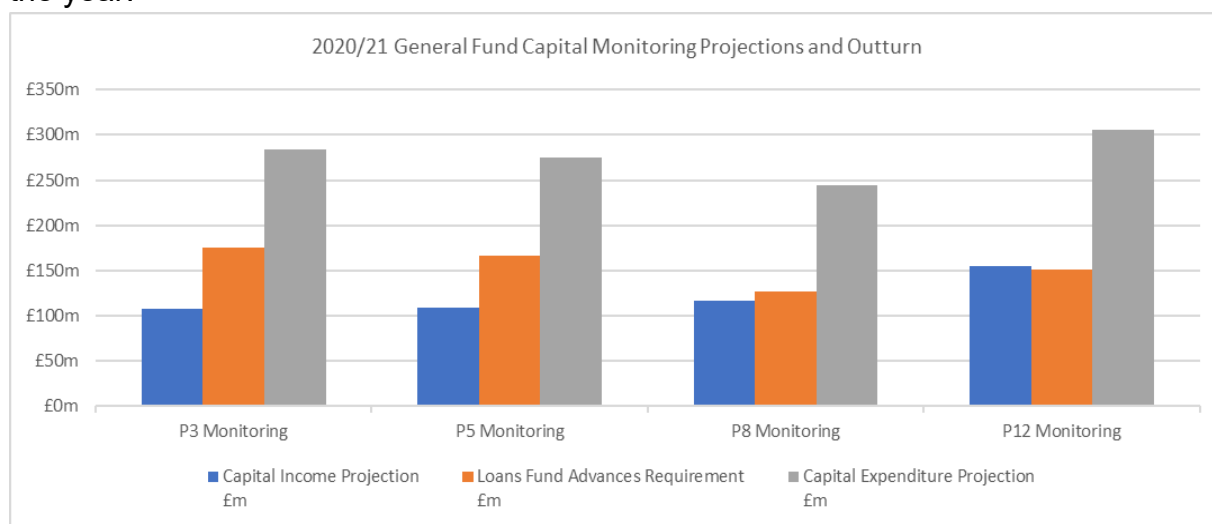
2021-31 Sustainable Capital Budget Strategy – Outturn 2020/21 and Revised Budget 2021/22

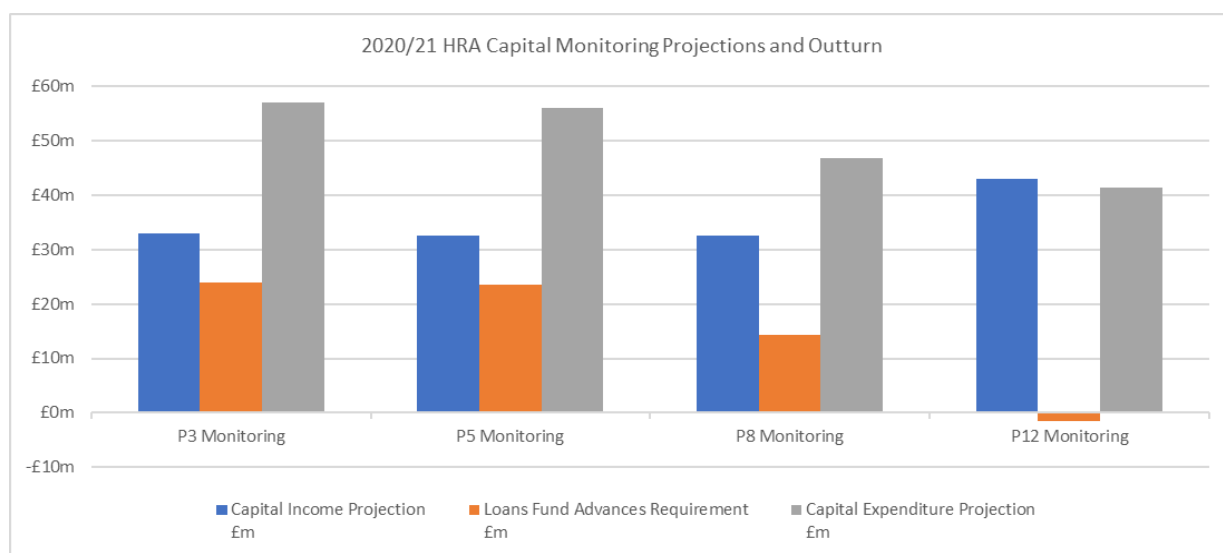
2. Executive Summary

- 2.1 The report provides capital expenditure and funding outturns for 2020/21, providing explanations for key variances.
- 2.2 At month 12, the General Fund capital expenditure totalled £306.111m with capital income of £155.505m, resulting in a net requirement of £150.606m in loans fund advances. This is £19.403m lower than the revised budget update provided in period three due to slippage across the programme, primarily from the second COVID-19 lockdown over the winter.
- 2.3 At month 12, the Housing Revenue Account (HRA) capital expenditure totalled £41.456m and capital income of £43.035m, resulting in a negative net requirement of £1.579m in loans fund advances. This is £25.515m lower than the revised budget update provided in period three primarily due to land acquisitions not proceeding as expected and funding being received earlier than projected. New build construction, external works and common area projects were able to recommence. Internal improvement works will be phased in gradually to take account of safe working practices.
- 2.4 Slippage from 2020/21 is rolled forward and added to the capital investment programme for the period 2021-2031 to create the revised capital budget. In creating the revised budget, realignments have been made between financial years to reflect the most up to date cash flow projections available. The budget has also been adjusted to reflect funding received since the Council set its budget in February.
- 2.5 The extent of the impact from COVID-19 is likely to differ between programmes and projects and it is still too early to understand the full cost to the Council. This is notable in the scarcity and cost pressures in various key construction materials, i.e. steel and timber.

3. Background

- 3.1 The initial Capital Budget Strategy 2020-2030 was reported to Finance and Resources Committee on 10 October 2019 and approved on 20 February 2020 as part of the budget process.
- 3.2 It was subsequently consolidated with other key strategies into the Council's Capital Strategy which was approved by Council on 12 March 2020. This strategy set out for expenditure of £2,324.800m to 2029/30. While the programme was affordable in the short to medium term, there remained £154.600m which was unfunded and would require the Council to find additional recurring revenue savings, or additional funding in future years, or lead to projects having to be removed from the capital investment programme or delayed.
- 3.3 A report was considered by Policy and Sustainability Committee on 25 June 2020 which addressed the potential impact COVID-19 would have on the 2020-30 Capital Budget. This report showed that it was difficult to estimate the full impact on the programme until market intelligence, such as tender returns, is available.
- 3.4 The table below summarises the various quarterly projections reported to Finance and Resources Committee through-out the financial year. The 21 January 2021 expenditure forecast (month 8) was low as it projected the potential implications of the then recently announced second COVID-19 lockdown based on findings from the first lockdown. The outturn recognises the significant funding received late in the financial year which primarily relates to Transfer of Management of Development Funding (TMDF) which is drawn down as expenditure is incurred in the latter part of the year.





4. Main report

2020/21 Capital Monitoring – Period 12

General Fund

- 4.1 The period 12 monitoring shows general fund expenditure of £306.111m against a revised budget of £336.441m resulting in a total of £30.330m in expenditure slippage. A breakdown by directorate is provided in Appendix 1.
- 4.2 Within Communities and Families, there has been capital expenditure of £87.439m as at period 12 against a revised budget of £96.026m. Expenditure relates primarily to projects which were well underway prior to COVID-19 lockdown such as Meadowbank Sports Centre, Castlebrae High School, new Victoria Primary School and Frogston Primary School. The outturn slippage of £8.587m in the year, primarily relates to;
- New South Edinburgh Primary (£3.025m) due to the project being significantly delayed by utility companies relating to the diversion of a combined sewer, which was further compounded by COVID-19 delays as the new standard operating practices on-site reduced productivity, with a revised opening date for the new school of August 2022 now projected;
 - Darroch Refurbishment (£2.684m) due to COVID-19 delays with completion expected by August 2022;
 - Rising School Rolls (£2.627m) to reflect updated expenditure profiles for a variety of projects including Sciennes Primary School where the Council is still in the early design stages with an expected August 2022 completion and Kirkliston Phase One due to delay in early design changes and client revisions; and

- Boroughmuir High School Extension (£1.619m) due to contract award being delayed due to COVID-19 restrictions from an expected March sign-off, with work now expected to be completed by August 2022.
- 4.3 Within Place, there has been capital expenditure of £131.292m as at period 12 against a revised budget of £138.457m. Expenditure relates primarily to social housing through the housing development fund £49.143m, Millerhill Recycling and Energy Recovery Centre (RERC) Capital Contribution £29.520m, Carriageways and Footways £12.107m, North Bridge £11.133m, Road Safety and Active Travel £9.407m and Energy Efficiency Street Lighting Programme £6.069m. The outturn slippage of £7.165m in the year, primarily relates to;
- Energy Efficiency Street Lighting Project (£4.792m) due to the entire cashflow being updated to move optimism bias and contingencies to the end of the project and further delays due to the contractor's team self-isolating for several weeks after positive cases;
 - Fleet Replacement Programme (£3.565m) due to acquisition of 21 refuse collection vehicles being delayed and slipped into 2022/23 financial year. This is reflected in the 2021/22 revised budget profile; and
 - Town Centre Funding (£2.432m) as progress on use of existing funding was revised on 11 June 2020 at the Policy and Sustainability Committee and a further £0.954m was received in-year with plans for use of this approved at Housing, Homelessness and Fair Work Committee on 5 November 2020. However, the Council committed this funding by the 31 March 2021 deadline and remains on track for it to be spent before the 30 September 2021 deadline.
- 4.4 Within Place – Trams to Newhaven, there has been capital expenditure of £53.071m as at period 12 against a revised budget of £59.648m, with outturn slippage of £6.577m as a result of programme movements arising from the second COVID-19 lockdown and utilities diversions being more onerous than forecasted.
- 4.5 Within Place - Lending there has been capital expenditure of £19.313m as at period 12 against a revised budget of £31.329m for completed units which have transferred to Edinburgh Living LLP at North Sighthill and Craigmillar Town Centre, with outturn slippage of £12.016m primarily due to delays on completion of units at North Sighthill which are now expected to be completed in 2021/22 for Edinburgh Living LLP lending and slippage of £4.718m in NHT lending.
- 4.6 The final project under National Housing Trust (NHT) Phase 3 (Shrubhill) commenced in 2018/19 and 93 homes have been delivered to date, with an investment of £14.923m. Slippage in Place-Lending is matched by corresponding slippage in borrowing for these projects. The final two phases at Shrubhill (57 homes in total) will no longer be part of the NHT Programme, as works are due to be completed out with the approved timeframe. There will therefore be no further Council investment in NHT Phase 3.

- 4.7 Members may recall that the NHT initiative, which was developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities, sought to deliver new homes for mid-market rent, while at the same time stimulating the housing market. The Council entered into a number of Limited Liability Partnerships through the NHT initiative over three phases. Monies were advanced to the LLPs, with a requirement for the monies to be repaid to the Council over the period between five and ten years from the date of the loan(s). Officers in the Housing Service have been working successfully with development partners to ensure that the requirement to repay loans does not result in tenants having to find alternative housing.
- 4.8 As a result, the four NHT developments in phase 1 are now in the latter stages of their investment, and in accordance with the scheme, are making arrangements to repay their borrowing. Members will be aware of the Council decision to dispose of its interest in the Telford North LLP to LAR Housing Association. Additionally, the full loan for the Sailmaker development was repaid to the Council in May 2021. The Council was able to provide some grant funding from the Affordable Housing Supply Programme to the developer (Hillcrest Housing Association) to enable the homes to be retained in the affordable sector. The remaining two phase 1 developments at Cityscape and Lighthouse Court are adopting a phased approach to the repayment of their loans, in accordance with the NHT contracts.
- 4.9 Within Resources - Asset Management Works Programme, there has been capital expenditure of £14.517m as at period 12 across various projects, with outturn acceleration of spend of £5.503m compared to the revised budget of £9.014m. The closure of properties due to the COVID-19 pandemic allowed more work than anticipated to be carried out ahead of schedule, especially in the learning estate.

Housing Revenue Account

- 4.10 The period 12 monitoring shows HRA capital expenditure of £41.456m for the financial year across various programmes and workstreams relating to new builds and improvements to existing homes. The budget for 2020/21 had been revised from the initial approved budget of £96.468m to £56.969m, an overall reduction in capital expenditure of £39.499m (40.9%), largely due to the impact of site closures and the suspension of internal building works as a result of COVID-19 lockdown measures. The underspend has been rephased over the next 18 months. A breakdown by programme is provided in Appendix 2.
- 4.11 The outturn on new homes development is slippage of £1.382m reflecting a slight slow-down in progress of works due to safe working practices but good progress was made across the programme both on site and with design, development and pre-construction work.
- 4.12 £12.000m of the £15.513 million expenditure slippage was due to the delay in concluding the land acquisition of [Liberton Hospital](#). The land acquisition was previously expected to take place in the last quarter of 2020/21 and following approval to purchase the site at the Finance and Resources Committee on 4 March 2021 the sale is on-track to conclude in 2021/22.

- 4.13 The outturn against improvements to Council Homes and Estates shows slippage of £2.580m this was due to improvements requiring access to tenants' homes were postponed for most of the year, with the suspended works to be carried out over the next two years, as restrictions are lifted.
- 4.14 The period 12 monitoring shows HRA capital income of £43.035m for the financial year, primarily from capital receipts from sales to Edinburgh Living LLP, Scottish Government grant and disposals through the Acquisitions and Disposals Programme. The outturn shows an improvement on the budgeted income of £33.033m.
- 4.15 This results in a negative net requirement of £1.579m in loans fund advance, a reduction in borrowing requirement from the revised budget of £25.515m. This will result in a revenue benefit in 2021/22 from lower than expected loan charges with this benefit offset with the capital expenditure reprofiled and incurred in later years.

Revised Sustainable Capital Budget Strategy 2021-2031

- 4.16 The Sustainable Capital Budget Strategy 2021-2031 for the general fund was approved by Council in February 2021 was based on an interim budget which estimated slippage and acceleration. Due to the funding shortfall from 2024/25 onwards, it was recognised that the strategy set out aspirations for future investment rather than long-term commitments.
- 4.17 The Revised Sustainable Capital Budget Strategy 2021-2031 has been adjusted to reflect actual levels of slippage and acceleration and is shown in Appendix 3. It has also been realigned and re-phased to ensure that individual project cash flows reflect the most up to date projections. Project managers have considered risks such as adverse weather or other uncontrollable factors that can impact on delivery and to build this into budgeted cash flows.
- 4.18 The revised Sustainable Capital Budget Strategy also reflects projects where funding has been approved following the Council's budget meeting. This includes the Scottish Government funding for Place Based Investment Programme (PBIP), Cycling, Walking and Safer Routes (CWSR) and TMDF.
- 4.19 Members should note that where funding has not been approved or is uncertain, then projects are not included in the revised Sustainable Capital Budget Strategy. This includes projects funded by capital receipts, grants or contributions which are yet to be secured.
- 4.20 There is still a funding pressure within the Sustainable Capital Budget Strategy from the 2023/24 financial year, meaning that the strategy remains aspirational rather than deliverable. It will require further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy. This could also mean that projects will need to be delayed or removed from the programme altogether. As a result, all projects will be required to produce a detailed business case, setting out both capital and revenue costs and demonstrating how they will be funded prior to project commencement as part of the wider Gateway process requirement referred to in the 2 February 2021 report.

This Gateway process will ensure Council does not commit to projects which become unaffordable in the medium- to long-term as several projects span a number of financial years.

- 4.21 A further update on the Sustainable Capital Budget Strategy will be brought to Finance and Resources Committee on 7 October 2021. This report will look ahead to 2022/23 Budget Setting, with a focus on addressing the funding pressure and highlighting emerging cost pressures from COVID-19, Brexit and specific projects.

HRA Capital Budget Strategy 2021-2031

- 4.22 The [Updated Housing Revenue Account \(HRA\) Capital Programme](#) accounting for slippage and budget decisions was approved by Housing, Homelessness and Fair Work on 3 June 2021 per Appendix 4 and agreed to receive a further report in two cycles on large scale projects.
- 4.23 The detailed HRA capital programme of £103.987m for 2021/22 and £203.069m for 2022/23 are the largest HRA capital programmes presented to Committee to date. There are risks associated with delivery of a programme of this scale at this time; for example, the impact of COVID-19 and Brexit on investment costs and securing skilled labour, owner and tenant agreement and securing land for affordable housing developments. Mitigations have been put in place to minimise these risks as far as possible.

2021/22 Capital Monitoring – Period 3

- 4.24 Capital monitoring for the first quarter of 2021/22 for the General Fund and HRA is set out in Appendices 6 and 7 respectively. As this report revises budgets to take account of latest expenditure and income forecasts, no variances are currently projected.
- 4.25 Members should note that the market is currently experiencing shortages in commodities and materials required for construction projects. The impact is likely to vary from project to project, but there is a risk that projects may be delayed or experience cost pressures. This situation will be monitored and built into forecasts as information becomes available.
- 4.26 Further reports will be presented to Finance and Resource Committee at period 6, period 8 and period 12 showing the position against the revised 2021/22 capital budget.

5. Next Steps

- 5.1 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.
- 5.2 Finance staff will continue work with project and programme managers to monitor capital budgets.
- 5.3 Further reports will be presented to Finance and Resource Committee at period 6, period 8 and period 12 showing the position against the revised 2021/22 capital budget.

- 5.4 A further report on the 2022/23 to 2031/32 Sustainable Capital Budget will be brought to Finance and Resources Committee on 7 October 2021.

6. Financial impact

- 6.1 The 2020/21 general fund outturn outlines loans fund advances of £150.606m. The overall loan charges associated with this over a 30-year period would be a principal amount of £150.606m, interest and expenses of £121.664m, resulting in a total cost of £272.270m based on a loans fund interest rate of 4.20%. The average annual cost would be £9.076m for 30 years.
- 6.2 The 2020/21 HRA outturn outlines negative loans fund advances of £1.579m. This will be offset against previous years advances.
- 6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.
- 6.5 The Council's Prudential Indicators for the Revised Budget 2021/22 are set out in Appendix 5.

7. Stakeholder/Community Impact

- 7.1 Consultation on the capital budget was undertaken as part of the Council's budget setting process.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Background reading/external references

- 8.1 [Edinburgh Tram – York Place to Newhaven Final Business Case](#), The City of Edinburgh Council, 14 March 2019
- 8.2 [Capital Budget Strategy 2020-30](#), Finance and Resources Committee, 10 October 2019
- 8.3 [Capital Budget Strategy 2020-30](#), The City of Edinburgh Council, 20 February 2020
- 8.4 [Housing Revenue Account Budget Strategy \(2020-2030\)](#), The City of Edinburgh Council, 20 February 2020
- 8.5 [Capital Strategy 2020-30 – Annual Report](#), The City of Edinburgh Council, 12 March 2020
- 8.6 [Capital Budget Update - 2019/20 Provisional Outturn and 2020/21 COVID-19 Forecast](#), Policy and Sustainability Committee, 25 June 2020

- 8.7 [2020-30 Capital Budget Strategy – 2020/21 Period 3 Monitoring and Revised Budget Update](#), Finance and Resources Committee, 27 August 2020
- 8.8 [2020-30 Capital Budget Strategy – 2020/21 Period Five Monitoring and Revised Budget Update](#), Finance and Resources Committee, 29 October 2020
- 8.9 [2020-30 Capital Budget Strategy - 2020/21 Month Eight Monitoring](#), Finance and Resources Committee, 21 January 2021
- 8.10 [Sustainable Capital Budget Strategy 2021-2031](#), Finance and Resources Committee, 21 January 2021
- 8.11 [Sustainable Capital Strategy 2021-31 – Annual Report](#), Finance and Resources Committee, 4 March 2021
- 8.12 [Updated Housing Revenue Account \(HRA\) Capital Programme](#), Housing, Homelessness and Fair Work, 3 June 2021

9. Appendices

- 9.1 Appendix 1 – 2020/21 Capital Monitoring Period 12 Outturn – General Fund
- 9.2 Appendix 2 – 2020/21 Capital Monitoring Period 12 Outturn – HRA
- 9.3 Appendix 3 - 2021-31 Revised Sustainable Capital Budget Strategy
- 9.4 Appendix 4 - 2021-31 HRA Capital Budget Strategy
- 9.5 Appendix 5 – 2021/22 Revised Budget Prudential Indicators
- 9.6 Appendix 6 – 2021/22 Capital Monitoring Period 3 – General Fund
- 9.7 Appendix 7 – 2021/22 Capital Monitoring Period 3 – HRA

Appendix 1 - 2020/21 Capital Monitoring

General Fund Summary

Period 12

| Expenditure | Approved Budget £000 | Adjustments £000 | Revised Budget £000 | Actual Outturn £000 | Outturn Variance £000 | % |
|--|-------------------------------------|-----------------------------|------------------------------------|------------------------------------|--------------------------------------|----------------|
| Communities and Families | 99,246 | (3,220) | 96,026 | 87,439 | (8,587) | -8.94% |
| Edinburgh Integration Joint Board | - | 284 | 284 | - | (284) | -100.00% |
| Place | 192,495 | (54,038) | 138,457 | 131,292 | (7,165) | -5.18% |
| Place - Lending | 43,913 | (12,584) | 31,329 | 19,313 | (12,016) | -38.35% |
| Place - Tram York Place to Newhaven | 74,939 | (15,291) | 59,648 | 53,071 | (6,577) | -11.03% |
| Contingency | 4,242 | (4,242) | - | - | - | 0.00% |
| Resources - Asset Management Works | 30,000 | (20,986) | 9,014 | 14,517 | 5,503 | 61.05% |
| Resources - Other | 5,000 | (3,318) | 1,682 | 478 | (1,204) | -71.57% |
| Total Gross Expenditure | 449,835 | (113,394) | 336,441 | 306,111 | (30,330) | -9.01% |
| Funding | Approved Budget £000 | Adjustments £000 | Revised Budget £000 | Actual to Date £000 | Outturn Variance £000 | % |
| <i>Capital Receipts</i> | | | | | | |
| General Asset Sales | 3,000 | 439 | 3,439 | 6,639 | 3,200 | 93.05% |
| Ringfenced Asset Sales | - | 450 | 450 | 450 | - | 0.00% |
| <i>Total Capital Receipts from Asset Sales</i> | 3,000 | 889 | 3,889 | 7,089 | 3,200 | 82.28% |
| <i>Drawdown from/ (to) Capital Fund</i> | 14,195 | - | 14,195 | (2,000) | (16,195) | -114.09% |
| <i>Developer Contributions</i> | 754 | 20,294 | 21,048 | 26,316 | 5,268 | 25.03% |
| <i>Developers Contributions Transferred to Investments</i> | - | (8,345) | (8,345) | (8,440) | (95) | 0.00% |
| <i>Total Developer Contributions</i> | 754 | 11,949 | 12,703 | 17,876 | 5,173 | 40.72% |
| Total Capital Receipts and Contributions | 17,949 | 12,838 | 30,787 | 22,965 | (7,822) | -25.41% |
| <i>Grants</i> | | | | | | |
| Scottish Government General Capital Grant | 38,129 | - | 38,129 | 38,129 | - | 0.00% |
| Other Grants and Contributions | - | 30,406 | 30,406 | 27,301 | (3,105) | -10.21% |
| Cycling, Walking and Safer Streets | 2,281 | - | 2,281 | 2,281 | - | 0.00% |
| Town Centre Funding | - | 954 | 954 | 954 | - | 0.00% |
| Transfer of Management of Development Funding (TMDF) | 27,950 | 21,193 | 49,143 | 49,143 | - | 0.00% |
| Early Years and Childcare - Expansion | 10,000 | - | 10,000 | 10,000 | - | 0.00% |
| Other Government Grants | 96 | 4,636 | 4,732 | 4,732 | - | 0.00% |
| Capital Grants Unapplied Account Drawdown | 2,002 | (2,002) | - | - | - | 0.00% |
| Total Grants | 80,458 | 55,187 | 135,645 | 132,540 | (3,105) | -2.29% |
| Total Funding | 98,407 | 68,025 | 166,432 | 155,505 | (10,927) | -6.57% |
| <i>Borrowing</i> | | | | | | |
| New Prudential Borrowing in Year | 121,388 | (75,548) | 45,840 | 63,646 | 17,806 | 38.84% |
| New On-Lending in Year | 43,913 | (12,584) | 31,329 | 19,313 | (12,016) | -38.35% |
| New Capital Advance - Trams to Newhaven | 74,939 | (19,431) | 55,508 | 52,704 | (2,804) | -5.05% |
| New Capital Advance - General Fund | 111,188 | (73,857) | 37,331 | 14,943 | (22,388) | -59.97% |
| Balance to be funded through Loans Fund Advance | 351,428 | (181,419) | 170,009 | 150,606 | (19,403) | -11.41% |

Appendix 2 - 2020/21 Capital Monitoring

Housing Revenue Account

Period 12

| Expenditure | Approved Budget | Adjustments | Revised Budget | Actual Outturn | Outturn Variance | |
|--|-----------------|-----------------|----------------|----------------|------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | % |
| New Homes Development | 35,890 | (15,124) | 20,766 | 19,384 | (1,382) | -6.7% |
| New Homes Land Costs | 12,000 | - | 12,000 | 450 | (11,550) | -96.3% |
| Improvement to Council Homes and Estates | 48,578 | (24,375) | 24,203 | 21,623 | (2,580) | -10.7% |
| Total Gross Expenditure | 96,468 | (39,499) | 56,969 | 41,456 | (15,513) | -27.2% |

| Income | Approved Budget | Adjustments | Revised Budget | Actual Outturn | Outturn Variance | |
|--|-----------------|-----------------|----------------|----------------|------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | % |
| Capital Receipts and Other Contributions | 50,524 | (24,424) | 26,100 | 36,674 | 10,574 | 40.5% |
| Capital Funded from Current Revenue | 3,656 | (3,656) | - | - | - | 0.0% |
| Specific Capital Grant | 18,942 | (12,009) | 6,933 | 6,361 | (572) | -8.3% |
| Total Income | 73,122 | (40,089) | 33,033 | 43,035 | 10,002 | 30.3% |

| | | | | | | |
|--|---------------|------------|---------------|----------------|-----------------|----------------|
| Balance to be funded through Loans Fund Advance | 23,346 | 590 | 23,936 | (1,579) | (25,515) | -106.6% |
|--|---------------|------------|---------------|----------------|-----------------|----------------|

2021-31 Revised Sustainable Capital Budget Strategy (Incorporating Period 12 out-turn slippage from 2020/21)

| SUMMARY | Re-profile | | | | | | | | | | | | | | | Total Budget |
|---|-------------------------------|--------------------------------|---|---------------------------|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------------------------|--------------|
| | Planned Budget 2021-22 | Actual Slippage 2020-21 | to/from Later Years 2021-22 | Additional Funding | Revised Budget 2021-22 | Indicative Budget 2022-23 | Indicative Budget 2023-24 | Indicative Budget 2024-25 | Indicative Budget 2025-26 | Indicative Budget 2026-27 | Indicative Budget 2027-28 | Indicative Budget 2028-29 | Indicative Budget 2029-30 | Indicative Budget 2030-31 | 2021-2031 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Communities and Families - Wave 4 Schools | 31,020 | (5,461) | (3,692) | - | 21,865 | 42,050 | 56,505 | 68,217 | 36,320 | 10,489 | 43,932 | 25,887 | 12,485 | - | 317,751 | |
| Communities and Families - Infrastructure for Population Growth | 19,220 | 6,635 | (6,662) | - | 19,193 | 22,172 | 15,725 | 20,668 | 12,291 | 13,911 | 28,500 | 11,036 | 9,956 | 10,915 | 164,367 | |
| Communities and Families - Other Projects | 57,997 | 7,411 | (36,371) | 145 | 29,182 | 8,685 | 5,669 | 7,348 | 165 | 165 | 165 | 165 | 165 | 165 | 51,874 | |
| Place - Public Transport, Road Safety and Active Travel | 21,527 | (45) | (5,366) | 17 | 16,133 | 6,100 | 7,865 | 11,425 | 12,402 | 4,255 | 3,437 | 3,437 | 3,437 | 3,437 | 71,926 | |
| Place - Roads and Transport Infrastructure (including North Bridge) | 33,154 | 2,433 | (4,612) | 4,000 | 34,975 | 20,617 | 29,283 | 12,039 | 14,039 | 14,039 | 14,039 | 14,039 | 14,039 | 14,039 | 181,148 | |
| Place - Transfer of Management of Development Funding (TMDF) | 27,950 | - | - | 24,468 | 52,418 | 27,950 | 27,950 | 27,950 | 27,950 | - | - | - | - | - | 164,218 | |
| Place - Culture | 756 | 7 | - | - | 763 | - | 9,000 | 5,000 | - | - | - | - | - | - | 14,763 | |
| Place - Other Projects (including St James GAM) | 85,760 | 4,675 | (18,629) | 1,962 | 73,768 | 30,474 | 4,944 | 3,117 | 2,696 | 1,269 | 1,271 | 1,273 | 1,276 | 1,279 | 121,367 | |
| Place - Lending | 13,260 | 7,298 | (2,529) | - | 18,029 | 7,385 | 72,000 | 70,500 | 41,793 | - | - | - | - | - | 209,707 | |
| Place - Tram York Place to Newhaven | 65,523 | 6,577 | - | - | 72,100 | 41,744 | 12,849 | - | - | - | - | - | - | - | 126,693 | |
| Contingency | - | - | - | - | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 30,000 | |
| Resources - Asset Management Works | 25,916 | (5,503) | - | - | 20,413 | 25,650 | 19,800 | 19,800 | 19,800 | 19,800 | 19,800 | 19,800 | 19,800 | 19,800 | 204,463 | |
| Resources - Other | 2,213 | 1,328 | - | 1,070 | 4,611 | 807 | 1,091 | 1,597 | 669 | 678 | 615 | 615 | 615 | - | 11,298 | |
| Edinburgh Integration Joint Board | - | 284 | - | - | 284 | - | - | - | - | - | - | - | - | - | 284 | |
| Slippage Assumption | - | - | - | - | - | (19,969) | (8,296) | 672 | 8,021 | 11,154 | (3,600) | 3,191 | 1,767 | 1,391 | (5,669) | |
| Total Expenditure | 384,296 | 25,639 | (77,861) | 31,662 | 363,734 | 213,664 | 254,385 | 248,333 | 181,146 | 80,760 | 113,159 | 84,443 | 68,540 | 56,025 | 1,664,189 | |
| | Planned Budget 2021-22 | Actual Slippage 2020-21 | Re-profile to/from Later Years 2021-22 | Additional Funding | Revised Budget 2021-22 | Indicative Budget 2022-23 | Indicative Budget 2023-24 | Indicative Budget 2024-25 | Indicative Budget 2025-26 | Indicative Budget 2026-27 | Indicative Budget 2027-28 | Indicative Budget 2028-29 | Indicative Budget 2029-30 | Indicative Budget 2030-31 | Total Budget 2021-2031 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Funding | | | | | | | | | | | | | | | | |
| Capital receipts | | | | | | | | | | | | | | | | |
| General Asset Sales | 3,000 | - | - | - | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 30,000 | |
| Ring-fenced Asset Sales | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Capital Fund drawdown | 6,986 | - | - | - | 6,986 | 5,541 | 14,473 | - | - | - | - | - | - | - | 27,000 | |
| Capital Grants Unapplied Account | 14,442 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Developers and Other Contributions | 56 | - | - | 145 | 56 | 5,777 | 1,158 | 9,893 | 2,055 | 4,888 | 12,794 | 19,237 | 15,053 | - | 70,911 | |
| Tram Developer Contributions | 380 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Capital from Current Revenue | - | - | - | - | 4,000 | - | - | - | - | - | - | - | - | - | 4,000 | |
| Total Receipts | 24,864 | - | - | 145 | 14,042 | 14,318 | 18,631 | 12,893 | 5,055 | 7,888 | 15,794 | 22,237 | 18,053 | 3,000 | 131,911 | |
| Capital Grants | | | | | | | | | | | | | | | | |
| General Capital Grant | 38,360 | - | - | - | 38,360 | 39,240 | 39,080 | 41,287 | 41,849 | 46,000 | 46,500 | 47,000 | 47,500 | 48,000 | 434,816 | |
| Specific Capital Grants - Early Years | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Specific Capital Grants - TMDF | 27,950 | - | - | 24,468 | 52,418 | 27,950 | 27,950 | 27,950 | 27,950 | - | - | - | - | - | 164,218 | |
| Specific Capital Grants - CWSS | 2,299 | - | - | - | 2,299 | 2,299 | 2,299 | 2,299 | 2,299 | - | - | - | - | - | 11,495 | |
| Specific Capital Grants - Place Based Investment Programme | - | - | - | 1,998 | 1,998 | 1,735 | 1,209 | 1,209 | 1,209 | - | - | - | - | - | 7,360 | |
| Total Grants | 68,609 | - | - | 26,466 | 95,075 | 71,224 | 70,538 | 72,745 | 73,307 | 46,000 | 46,500 | 47,000 | 47,500 | 48,000 | 617,889 | |
| New borrowing in year - Prudential (including GAM) | 85,127 | - | (8,615) | 1,070 | 77,582 | 11,006 | 6,091 | 1,597 | 669 | 678 | 615 | 615 | 615 | - | 99,468 | |
| New borrowing in year - On-lending | 13,260 | 7,298 | (2,529) | - | 18,029 | 7,385 | 72,000 | 70,500 | 41,793 | - | - | - | - | - | 209,707 | |
| New borrowing in year - Trams to Newhaven | 65,143 | 6,577 | - | - | 72,100 | 41,744 | 12,849 | - | - | - | - | - | - | - | 126,693 | |
| New borrowing in year - General | 127,293 | 11,765 | (66,717) | 3,981 | 86,906 | 67,987 | 47,750 | 31,329 | 23,962 | (8,941) | 4,979 | 11,857 | 13,340 | 1,556 | 280,725 | |
| Total Borrowing | 290,823 | 25,639 | (77,861) | 5,051 | 254,617 | 128,122 | 138,690 | 103,426 | 66,424 | (8,263) | 5,594 | 12,472 | 13,955 | 1,556 | 716,593 | |
| Total Funding | 384,296 | 25,639 | (77,861) | 31,662 | 363,734 | 213,664 | 227,859 | 189,064 | 144,786 | 45,625 | 67,888 | 81,709 | 79,508 | 52,556 | 1,466,393 | |
| Funding Deficit/(Surplus) | - | - | - | - | - | - | 26,525 | 59,269 | 36,360 | 35,135 | 45,271 | 2,734 | (10,968) | 3,469 | 197,796 | |

Appendix 4 : 2021-31 HRA Capital Budget Strategy

HRA Five Year Capital Investment Programme and Ten-Year Investment Strategy

| Programme Heading | 1 | 2 | 3 | 4 | 5 | 5 Year | 6 to 10 | 10 Year |
|---|----------------|----------------|----------------|----------------|----------------|------------------|-----------------------|------------------|
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total | 2026/27 to 2030/31 | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| New Homes Development | 33.223 | 109.552 | 129.726 | 110.806 | 328.326 | 711.633 | 1,094.736 | 1,806.369 |
| New Home Land Costs | 20.000 | 19.000 | 19.533 | 21.933 | 21.933 | 102.399 | 33.466 | 135.865 |
| Tenant's Homes & Services (20-yr borrowing) | 15.229 | 22.355 | 24.048 | 27.103 | 33.158 | 121.893 | 116.120 | 238.013 |
| External Fabric and Estates (30-yr borrowing) | 35.535 | 52.162 | 56.113 | 63.239 | 77.367 | 284.416 | 330.149 | 614.565 |
| Total Expenditure | 103.987 | 203.069 | 229.420 | 223.081 | 460.784 | 1,220.341 | 1,574.471 | 2,794.812 |
| Prudential Borrowing | 46.935 | 145.743 | 96.243 | 91.003 | 173.072 | 552.996 | 728.812 | 1,281.808 |
| Capital Funded From Revenue | 18.300 | 23.300 | 28.300 | 10.800 | 10.800 | 91.500 | 31.500 | 123.000 |
| Capital Receipts and Contributions | 7.310 | 5.380 | 9.200 | 27.090 | 18.144 | 67.124 | 89.754 | 156.878 |
| Receipts from LLPs | 19.583 | 5.282 | 72.018 | 70.606 | 232.259 | 399.748 | 569.825 | 969.573 |
| Scottish Government Subsidy (Social) | 11.859 | 23.364 | 23.659 | 23.582 | 26.509 | 108.973 | 154.580 | 263.553 |
| Total Funding | 103.987 | 203.069 | 229.420 | 223.081 | 460.784 | 1,220.341 | 1,574.471 | 2,794.812 |

2021/22 Revised Budget Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2020/21 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

| | Capital Expenditure - General Services | | | | |
|--|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2020/21 Actual £000 | 2021/22 Forecast £000 | 2022/23 Estimate £000 | 2023/24 Estimate £000 | 2024/25 Estimate £000 |
| Rolled Forward Capital Investment Programme | | | | | |
| Communities and Families | 87,439 | 70,240 | 72,907 | 77,899 | 96,233 |
| Place | 131,292 | 178,057 | 85,141 | 79,042 | 59,531 |
| Place - Lending | 19,313 | 18,029 | 7,385 | 72,000 | 70,500 |
| Place - Trams to Newhaven | 53,071 | 72,100 | 41,744 | 12,849 | 0 |
| Resources - Asset Management Works | 14,517 | 20,413 | 25,650 | 19,800 | 19,800 |
| Resources - Other | 478 | 4,611 | 807 | 1,091 | 1,597 |
| Edinburgh Integration Joint Board | 0 | 284 | 0 | 0 | 0 |
| Contingency | 0 | 0 | 0 | 0 | 0 |
| General Slippage in Programme | 0 | 0 | -19,969 | -8,296 | 672 |
| Total General Services Capital Expenditure | 306,110 | 363,734 | 213,665 | 254,385 | 248,333 |

The Place - Trams to Newhaven figures include capitalised interest following a change in accounting policy approved by Finance and Resources Committee on 21 January 2021. Note that the 2021-2025 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

| | 2020/21 Actual £000 | 2021/22 Forecast £000 | 2022/23 Estimate £000 | 2023/24 Estimate £000 | 2024/25 Estimate £000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Rolled Forward Capital Investment Programme | | | | | |
| Housing Revenue Account | 111,854 | 41,456 | 103,987 | 203,069 | 229,420 |

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2020/21 are:

| | Ratio of Financing Costs to Net Revenue Stream | | | | |
|-------------------------------|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2020/21 Actual % | 2021/22 Forecast % | 2022/23 Estimate % | 2023/24 Estimate % | 2024/25 Estimate % |
| General Services | 6.8% | 8.2% | 8.6% | 8.5% | 8.5% |
| Housing Revenue Account (HRA) | 32.9% | 35.2% | 35.9% | 37.7% | 41.0% |

Note: Figures for 2022/23 onwards are indicative at this stage 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. HRA figures are based on the business plan which was reported to Finance and Resources Committee on 2 February 2021.

The estimates of financing costs include current commitments and the proposals in this budget.

Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2020 are:

| | Capital Financing Requirement | | | | |
|---|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | Actual | Forecast | Estimate | Estimate | Estimate |
| | £m | £m | £m | £m | £m |
| General Services (including Finance Leases) | 1,227 | 1,429 | 1,510 | 1,554 | 1,596 |
| Housing Revenue Account (HRA) | 385 | 431 | 565 | 641 | 710 |
| NHT LLPs | 88 | 58 | 54 | 50 | 46 |
| Edinburgh Living LLPs | 38 | 55 | 62 | 133 | 202 |
| Total Capital Financing Requirement | 1,738 | 1,973 | 2,191 | 2,378 | 2,553 |

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequences of all of the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances noting that exit strategies are still to be finalised.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

| | Gross Debt and the Capital Financing Requirement | | | | |
|---------------------------------|---|-----------------|-----------------|-----------------|-----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | Actual | Forecast | Estimate | Estimate | Estimate |
| | £m | £m | £m | £m | £m |
| Gross Debt | 1,336 | 1,337 | 1,285 | 1,233 | 1,191 |
| Capital Financing Requirements | 1,738 | 1,973 | 2,191 | 2,378 | 2,553 |
| (Over) / under limit by: | 402 | 636 | 906 | 1,145 | 1,362 |

The authority does not currently envisage borrowing in excess of its capital financing requirement over the next few years. This takes into account current commitments, existing plans and assumptions around cash balances and the proposals in this budget. The figures do not include any expenditure and associated funding requirements, other than projects specifically approved by Council, for the Local Development Plan (LDP) or City Deal.

The introduction of IFRS 16 - Leases within the Accounts will have a significant impact on the balance sheet. Implementation was due from 1 April 2020 but has been pushed back to 1 April 2022. This will subsequently have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. Therefore, it should be expected to see an increase in the CFR in future years. This will similarly have an impact on the authorised limit and operational boundary for external debt.

Indicator 4 - Authorised Limit for External Debt

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. In respect of its external debt, it is recommended that Council approves the following authorised limits for its total external debt gross of investments for the next four financial years. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council is asked to approve these limits and to delegate authority to the Head of Finance, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

| | Authorised Limit for External Debt | | | | |
|---|---|----------------|----------------|----------------|----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £m | £m | £m | £m | £m |
| Borrowing | 2,088 | 2,566 | 2,891 | 2,831 | 2,725 |
| Credit Arrangements (including leases) | 256 | 248 | 242 | 235 | 229 |
| Authorised Limit for External Debt | 2,344 | 2,814 | 3,133 | 3,066 | 2,954 |

These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely (but not worst case) scenario with sufficient headroom to allow for operational treasury management. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

Indicator 5 - Operational Boundary for External Debt

The Council is also asked to approve the following operational boundary for external debt for the same period. The proposed operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council is also asked to delegate authority to the Head of Finance, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

| | Operational Boundary for External Debt | | | | |
|---|---|----------------|----------------|----------------|----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £m | £m | £m | £m | £m |
| Borrowing | 1,538 | 1,959 | 2,344 | 2,560 | 2,725 |
| Credit Arrangements (including leases) | 256 | 248 | 242 | 235 | 229 |
| Operational Boundary for External Debt | 1,794 | 2,207 | 2,586 | 2,795 | 2,954 |

The Council's actual external debt at 31 March 2020 was £1,336m of borrowing (including sums repayable within 12 months).

In taking its decisions on this budget, the Council is asked to note that the estimate of capital expenditure determined for 2020/21 (see paragraph 1 above) will be the statutory limit determined under section 35(1) of the Local Government (Scotland) Act 2003.

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

Under the changes to the Prudential Code which came into force in December 2017, the requirement to measure and report on the incremental impact on the Council Tax / rents was removed from the Code. The authority can set its own local indicators to measure the affordability of its capital investment plans. The Head of Finance considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2021/22 and for future years will be considered as part of the longer term financial frameworks.

| | Loans Charges Liability | | | | |
|--|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | Actual | Estimate | Estimate | Estimate | Estimate |
| | £000 | £000 | £000 | £000 | £000 |
| Loans Fund Pooled Interest Rate at Indicative 4% | | | | | |
| General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances | | | | | |
| Loans Fund Advances in year | 78,588 | 164,488 | 78,994 | 80,367 | 92,195 |
| Year 1 - Interest Only | 1,594 | 3,335 | 1,602 | 1,630 | 2,191 |
| Year 2 - Interest and Principal Repayment | 4,571 | 10,889 | 5,837 | 5,938 | 6,812 |
| Housing Revenue Account (HRA) - New Loans Fund Advances | | | | | |
| Loans Fund Advances in year (excluding borrowing for LLP programme *) | -1,579 | 46,935 | 145,743 | 93,243 | 91,003 |
| Year 1 - Interest Only | -32 | 952 | 2,955 | 1,891 | 1,845 |
| Year 2 - Interest and Principal Repayment | -92 | 4,137 | 10,717 | 7,625 | 7,342 |

* The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does therefore not have a net impact on the HRA or General Services revenue budget. Tram repayments are based on the income model and will commence in 2023/24 when the line to Newhaven becomes operational.

Consideration of options for the capital programme

In considering its programme for capital investment, Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax or house rents;
- prudence and sustainability, e.g. implications for external borrowing;
- value for money, e.g. option appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning for the authority;
- practicality, e.g. achievability of the forward plan.

Appendix 6 - 2021/22 Capital Monitoring

General Fund Summary

Period 3

| Expenditure | Approved | | Adjusted | | Actual to Date | Projected Outturn | Projected Outturn | |
|--|------------------------|-----------------|-----------------------|-----------------------|--------------------------|-----------------------------------|-------------------|---|
| | Budget | | Budget | | | | Variance | |
| | £000 | £000 | £000 | £000 | | | £000 | % |
| Communities and Families | 108,237 | (37,997) | 70,240 | 27,155 | 70,240 | - | 0.00% | |
| Edinburgh Integration Joint Board | - | 284 | 284 | 11 | 284 | - | 0.00% | |
| Place | 169,147 | 8,910 | 178,057 | 12,789 | 178,057 | - | 0.00% | |
| Place - Lending | 13,260 | 4,769 | 18,029 | - | 18,029 | - | 0.00% | |
| Place - Tram York Place to Newhaven | 65,523 | 6,577 | 72,100 | 11,022 | 72,100 | - | 0.00% | |
| Contingency | - | - | - | - | - | - | 0.00% | |
| Resources - Asset Management Works | 25,916 | (5,503) | 20,413 | 5,539 | 20,413 | - | 0.00% | |
| Resources - Other | 2,213 | 2,398 | 4,611 | 9 | 4,611 | - | 0.00% | |
| Total Gross Expenditure | 384,296 | (20,562) | 363,734 | 56,525 | 363,734 | - | 0.00% | |
| Funding | Approved Budget | Adjusted | Revised Budget | Actual to Date | Projected Outturn | Projected Outturn Variance | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | % | |
| <i>Capital Receipts</i> | | | | | | | | |
| General Asset Sales | 3,000 | - | 3,000 | 240 | 3,000 | - | 0.00% | |
| Ringfenced Asset Sales | - | - | - | 82 | - | - | N/A | |
| Capital from Current Revenue | - | 4,000 | 4,000 | 4,000 | 4,000 | - | 0.00% | |
| Less Fees Relating to Receipts | - | - | - | - | - | - | N/A | |
| Less Fees Relating to General Receipts | - | - | - | (118) | - | - | N/A | |
| <i>Total Capital Receipts from Asset Sales</i> | 3,000 | 4,000 | 7,000 | 4,204 | 7,000 | - | 0.00% | |
| <i>Drawdown from/ (to) Capital Fund</i> | 6,986 | - | 6,986 | - | 6,986 | - | 0.00% | |
| <i>Developer Contributions</i> | 436 | (380) | 56 | 6,101 | 56 | - | 0.00% | |
| <i>Developers Contributions Transferred to Investments</i> | - | - | - | (12,714) | - | - | 0.00% | |
| <i>Total Developer Contributions</i> | 436 | (380) | 56 | (6,614) | 56 | - | 0.00% | |
| Total Capital Receipts and Contributions | 10,422 | 3,620 | 14,042 | (2,410) | 14,042 | - | 0.00% | |
| <i>Grants</i> | | | | | | | | |
| Scottish Government General Capital Grant | 38,360 | - | 38,360 | 9,590 | 38,360 | - | 0.00% | |
| Other Grants and Contributions | - | - | - | (5,608) | - | - | N/A | |
| Cycling, Walking and Safer Streets | 2,299 | - | 2,299 | - | 2,299 | - | 0.00% | |
| Town Centre Funding / Place Based Investment Programme | - | 1,998 | 1,998 | 1,998 | 1,998 | - | 0.00% | |
| Transfer of Management of Development Funding (TMDF) | 27,950 | 24,468 | 52,418 | 4,911 | 52,418 | - | 0.00% | |
| Early Years and Childcare - Expansion | - | - | - | - | - | - | N/A | |
| Regeneration Funding - Powderhall Stables | - | - | - | 1,258 | - | - | N/A | |
| Other Government Grants | - | - | - | (104) | - | - | N/A | |
| Capital Grants Unapplied Account Drawdown | 14,442 | (14,442) | - | - | - | - | 0.00% | |
| Total Grants | 83,051 | 12,024 | 95,075 | 12,044 | 95,075 | - | 0.00% | |
| Total Funding | 93,473 | 15,644 | 109,117 | 9,635 | 109,117 | - | 0.00% | |
| <i>Borrowing</i> | | | | | | | | |
| New Prudential Borrowing in Year | 85,127 | (7,545) | 77,582 | - | 77,582 | - | 0.00% | |
| New On-Lending in Year | 13,260 | 4,769 | 18,029 | - | 18,029 | - | 0.00% | |
| New Capital Advance - Trams to Newhaven | 65,143 | 6,957 | 72,100 | 11,022 | 72,100 | - | 0.00% | |
| New Capital Advance - General Fund | 127,293 | (40,387) | 86,906 | 35,868 | 86,906 | - | 0.00% | |
| Balance to be funded through Loans Fund Advance | 290,823 | (36,206) | 254,617 | 46,890 | 254,617 | - | 0.00% | |

Appendix 7 - 2021/22 Capital Monitoring

Housing Revenue Account

Period 3

| Expenditure | Approved Budget £000 | Adjustments £000 | Revised Budget £000 | Actual to Date £000 | Projected Outturn £000 | Projected Outturn Variance | |
|--|----------------------------|---------------------|---------------------------|---------------------------|------------------------------|-------------------------------|-------------|
| | | | | | | £000 | % |
| New Homes Development | 33,223 | - | 33,223 | 4,417 | 33,223 | - | 0.0% |
| New Homes Land Costs | 20,000 | - | 20,000 | - | 20,000 | - | 0.0% |
| Improvement to Council Homes and Estates | 50,764 | - | 50,764 | 2,684 | 50,764 | - | 0.0% |
| Total Gross Expenditure | 103,987 | - | 103,987 | 7,101 | 103,987 | - | 0.0% |

| Income | Approved Budget £000 | Adjustments £000 | Revised Budget £000 | Actual to Date £000 | Projected Outturn £000 | Projected Outturn Variance | |
|--|----------------------------|---------------------|---------------------------|---------------------------|------------------------------|-------------------------------|-------------|
| | | | | | | £000 | % |
| Capital Receipts and Other Contributions | 7,310 | - | 7,310 | 578 | 7,310 | - | 0.0% |
| Capital Funded from Current Revenue | 18,300 | - | 18,300 | 5,914 | 18,300 | - | 0.0% |
| Prudential Borrowing | 46,935 | - | 46,935 | - | 46,935 | - | 0.0% |
| Receipts from LLPs | 19,583 | - | 19,583 | - | 19,583 | - | 0.0% |
| Scottish Government Subsidy | 11,859 | - | 11,859 | 609 | 11,859 | - | 0.0% |
| Specific Capital Grant | - | - | - | - | - | - | 0.0% |
| Total Income | 103,987 | - | 103,987 | 7,101 | 103,987 | - | 0.0% |

| | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|-----------|
| Balance to be funded through Loans Fund Advance | - | - | - | - | - | - | 0% |
|--|----------|----------|----------|----------|----------|----------|-----------|

As reported to Housing, Homelessness and Fair Work Committee on 3rd June 2021