

Governance, Risk and Best Value Committee

10.00am, Tuesday 22 November 2022

Sustainable Capital Budget Strategy 2023-2033 – 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 Sustainable Capital Budget Strategy 2023-2033 to the Governance, Risk and Best Value Committee as part of its work programme.

Richard Carr
Interim Executive Director of Corporate Services

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Referral Report

2022-32 Sustainable Capital Budget Strategy – referral from the Finance and Resources Committee

2. Terms of Referral

- 2.1 On 10 November 2022, the Finance and Resources Committee considered the Sustainable Capital Budget Strategy 2023-2033 report. The report set out priorities for the £1.28bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note the priorities for capital expenditure outlined in the report which were aligned to the Council Business Plan.
 - 2.2.2 To note the financial pressures due to challenging market conditions, and the proposed reductions required to bring the programme into a balanced position.
 - 2.2.3 To note the announcement of the provisional Local Government Finance Settlement was expected in December 2022.
 - 2.2.4 To note that delivery of funded capital expenditure priorities was dependent on the achievement of a balanced medium-term revenue budget.
 - 2.2.4 To note that a further report on the Sustainable Capital Budget Strategy 2022-32 would be presented to the Committee in early 2023 prior to Council budget setting in February 2023.
 - 2.2.5 To refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

3. Background Reading

- 3.1 [Finance and Resources Committee – 10 November 2022 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 10 November 2022

4. Appendices

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

Finance and Resources Committee

10.00am, Thursday, 10 November 2022

Sustainable Capital Budget Strategy 2023-2033

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 To note the priorities for capital expenditure outlined in this report which are aligned to the Council Business Plan;
- 1.2 To note the financial pressures due to challenging market conditions, and the proposed reductions required to bring the programme into a balanced position;
- 1.3 To note the announcement of the provisional Local Government Finance Settlement is expected in December 2022;
- 1.4 To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget;
- 1.5 To note that a further report on the Sustainable Capital Budget Strategy 2022-2032 will be presented to this Committee in early 2023 prior to Council budget setting in February 2023; and
- 1.6 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

Richard Carr
Executive Director of Corporate Services

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Sustainable Capital Budget Strategy 2022-2032

2. Executive Summary

- 2.1 The Sustainable Capital Budget Strategy sets out priorities for £1.28bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.
- 2.2 The Capital Budget Strategy is experiencing significant financial pressure due to by current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects.
- 2.3 Funding assumptions have been reviewed, but there are limited opportunities to increase the level of fund to address inflationary pressures.
- 2.4 It is therefore proposed that, where possible, budgets are cash limited, uncommitted learning estate projects are only progressed following the development of fully funded business plans and Balerno High School undergoes a retrofit, rather than a full replacement.

3. Background

- 3.1 The [Sustainable Capital Budget Strategy 2022-2032](#) was reported to Finance and Resources Committee on 3 February 2022. This report detailed priorities for Council capital investment of £1,459.874m, in alignment with the Council Business Plan, over the medium to long-term and set out a plan on how they could be funded.
- 3.2 However, this report recognised that the Strategy was expected to come under significant financial pressure as a result of higher tender prices caused by external factors including COVID-19 and Brexit. It was also noted that if a funding gap emerged, then 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 will be required ahead of future budget setting to comply with the terms of the Prudential Code. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.
- 3.3 At its meeting of 8 September, this committee approved the [revised Capital Budget Strategy for 2022-23](#), which took account of expenditure slippage from the previous financial year as well as additional funding received. However, it did not address the

increasing difficult market conditions affecting capital budgets. A separate report detailing the period five capital monitoring position is also included on this agenda.

- 3.4 This report provides an update on the financial challenges facing the Council's capital budget and sets out the steps required to reach a balanced position ahead of Council budget meeting in February 2023. This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget.
- 3.5 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account were included in an update on the [Housing Revenue Account Business Plan 2023-24](#) to Housing, Homelessness and Fair Work Committee on 29 September 2022. Updates will be provided to future meetings of that Committee and thereafter to Finance and Resources Committee as part of the budget setting process in February 2022.

4. Main report

Capital Expenditure Priorities and Pressures

- 4.1 Priorities for capital investment for the period 2023-2033 have been reviewed and continue to align with wider Council priorities over the medium to long-term. The level of capital expenditure required takes account of revised expenditure forecasts for projects in the existing Sustainable Capital Budget Strategy. It also rolls forward the programme for an additional year.
- 4.2 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects. It is not unusual for tenders to be received which are 30% higher than the pre-tender estimate. This increase in prices has been reflected in the costing of priorities set out in this report.
- 4.3 The Council has also commissioned Faithful and Gould to review cost estimates in the context of deteriorating economic conditions. The results of this work will be presented to a future meeting of this committee and used to inform budget development.
- 4.4 Expansion and improvements to the Council's Learning Estate continue to be the most significant cost for the programme. There is an opportunity for the learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities and to help address the net zero challenge. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during the design phase with flexible working space included as budgets allow. This process is most advanced at the replacement Currie High School and Liberton High School projects and the new Maybury Primary School project where the Passivhaus certified standard will also be adopted.

- 4.5 This process will continue as the remainder of the planned projects included in the Sustainable Capital Budget Strategy are progressed. It is essential to ensure the strategic briefs for these projects outline the teaching, learning and wider community requirements from the outset to ensure the buildings constructed are fit for purpose.
- 4.6 The costs to deliver the of learning estate programme is estimated at £596m, an increase of £145m, compared with previous assumptions. This additional cost can be met by additional funding and programme savings detailed in paragraphs 4.21 and 4.24 **Error! Reference source not found.** below.
- 4.7 The remaining budgets within the capital programme have been cash limited. This includes investment in roads, transport and active travel, improvements to existing Council buildings as well as the delivery of cultural projects. Inflationary pressures will be met by rephasing and reprioritisation (including reduction in scope of works) and external funding, where available.
- 4.8 To become carbon neutral by 2030, the city will need to tackle its largest sources of carbon emissions. The transport sector is one such significant source and road transport accounts for 68% of total transport emissions. Investing in active travel infrastructure provides the city's residents, visitors and businesses a means of transport that is low carbon and can efficiently move people and goods around the city. Active travel not only has a lower carbon footprint than private vehicles, it is also better for the city's air quality. To work towards the target of being carbon neutral by 2030 there is council capital funding of £73m to deliver Public Transport, Road Safety and Active Travel infrastructure which will be augmented by external funding.
- 4.9 The programme also includes £57m of investment in the Council's Enerphit programme, of which £10m will be supported by Scottish Government's Green Growth Accelerator initiative. This initiative is planned to retrofit 12 Council buildings in order to significantly reduce carbon emissions and improve building user comfort.
- 4.10 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its assets. There is also an opportunity for facilities to be adapted in order that wider services can be delivered from these locations. The Sustainable Capital Budget Strategy 2022-32, as set out in Appendix 1, includes £141m for the existing operational estate to continue the positive impact of the Asset Management Works Programme as reported to Committee elsewhere on this agenda.
- 4.11 There is also a further £151m allocated towards carriageways and footways as well as continuing investment in specific assets such as North Bridge. The North Bridge refurbishment project is experiencing significant cost pressures and can no longer be contained within the budget allocated as part of the 2022-23 Sustainable Budget Strategy. Revised forecasting is underway as part of the 2023-24 budget-setting process and will be reported in early 2023. Any additional costs of the project will require further reprioritisation of the roads and transportation budget.

- 4.12 The programme includes £14m of investment in cultural facilities, with a £5m contribution to the Dunard Centre as part of the Edinburgh and South East Scotland City Deal and a £4m contribution and a £5m loan for the refurbishment of the King's Theatre. The King's Theatre project is experiencing funding challenges due to current economic conditions, but no additional funding is included within the capital budget.
- 4.13 While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme distributes grant funding to social landlords on behalf of Scottish Government. It also provides £209.707m for lending to Edinburgh Living LLPs which is included within this Strategy. These projects are self-financing using income from affordable rents. Investment will therefore only take place based on a viable business case. Further information on the risks of this on-lending are included in paragraph 4.22 below.
- 4.14 A summary of capital investment priorities and available funding is included at Appendix 1.

Capital Funding Assumptions

- 4.15 The funding assumptions for Sustainable Capital Budget Strategy 2023-2033 have been thoroughly reviewed line by line, to provide an up-to-date estimate of funding available. Funding available is currently estimated at £1.3bn. Detailed analysis of funding is provided in Appendix 1 with the under-pinning assumptions set out in Appendix 2.
- 4.16 The provisional Local Government Finance Settlement is expected to be announced in December 2022. However, it is not expected that Capital Funding will change significantly from current levels of around £40m per annum in general grant.
- 4.17 The general grant is supported by specific capital grants from Scottish Government and other bodies for specific initiatives. While this funding is only formally recognised in the budget when the amount and timing of receipts are confirmed, all capital pressures in this report are presented net of any anticipated funding. There are likely to be further opportunities for the Council to secure additional grant funding towards its priorities, particularly in areas such as net zero, active travel and regeneration.
- 4.18 In addition to general and specific capital grants, the Scottish Government is increasingly supporting capital investment with revenue-based funding models, linked to the achievement of agreed outcomes. New secondary schools in Currie, Liberton and Wester Hailes as well as the Enerphit programme will receive this outcome-based funding via the Learning Estate Investment Programme and the Green Growth Accelerator Model respectively. It is currently assumed that all outcomes will be achieved and funding will be received in full, but there is a risk that the funding could be reduced in the event that outcomes are not fully achieved.
- 4.19 It is assumed that developers' contributions will partially offset some of the costs of supplying an increased learning estate and additional transport infrastructure to meet the needs of a growing city. This funding stream will be kept under review as

the Wave 4 schools, Local Development Plan and subsequently City Plan infrastructure progress.

- 4.20 The Capital Budget Strategy assumes Capital Receipts from Asset Sales of £3m per year which will be closely monitored. There is a risk that if capital receipts are not received, or not received in the same financial year as the expenditure is incurred, additional funding pressures will occur. It also assumes a drawdown of £20m from the capital fund, based on receipts received in previous years.
- 4.21 A significant proportion of the programme is funded from loans fund advances, with the associated borrowing costs met from the Council's loans charges revenue budget. The funding available for loans charges in the medium-term financial plan have been reviewed and, although interest rates have increased from historic lows seen in recent years, the budget is still sufficient to support the level and profile of expenditure set out in this report. This is due, in part, to proactive treasury management, which has enabled the Council to benefit by borrowing at low rates, when they were available. The revenue budget framework provides additional funding to meet an additional £23m of inflationary pressures taking general loans fund advances to £415m, but no further funding is available beyond this. Furthermore, it should be noted that the Council's ability to meet the costs of loans charges is dependent on the achievement of a balanced revenue budget. Any shortfall in revenue budget savings could result in a reduction in capital investment.
- 4.22 At present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248m. In addition, both the Housing Revenue Account (HRA) Business Plan and General Fund on-lending assume continuation of the consent beyond this point, in the form of capital receipts in the HRA and borrowing in the General Fund. Work is underway to understand future viable models for mid-market and market rent, taking into account development costs, availability of grant funding and consents. However external factors highlighted elsewhere in this report, together with proposed rent freezes create viability challenges for Edinburgh Living. Capital expenditure on new homes and associated borrowing will only be incurred on the basis of robust business cases.

Funding Gap and Approach to Capital Expenditure Savings

- 4.23 Based on the above analysis of capital priorities and available funding, there is currently a funding gap of £123m.
- 4.24 As this pressure arises from the increased cost of the Learning Estate, the following reductions are proposed:
- Removal of uncommitted local development plan schools from the programme. This comprises the proposed new west Edinburgh secondary school and new primary schools at Buiyleon Road, Gilmerton Station Road, Granton and East of Milburn Tower. These schools will now only go ahead following the development of fully funded business cases.

- A full retrofit for Balerno High School, rather than a replacement as had previously been planned. This approach will ensure that pupils benefit from improved facilities, but is less costly and more environmentally sustainable.

Details of proposed reductions are set out in Appendix 3.

- 4.25 As noted in 4.7 above, other budgets will be cash limited and will be reprioritised to ensure expenditure remains within budget. The proposed reprioritisations will be reported to the relevant service committees.

Unfunded Capital Priorities and Pressures

- 4.26 There is no capacity to fund additional projects that are not included in the current capital programme and previously reported unfunded projects remain in that category. New projects, including ICT infrastructure, will require external funding and the Council will continue to progress opportunities for grant funding, where it is available.
- 4.27 Appendix 4 sets out a revised programme, taking proposed savings into account.

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 will continue work with project and programme managers to monitor capital budgets.
- 5.3 The capital budget strategy will be developed further, and detailed budget proposals will be submitted to this Committee prior to the Council setting its budget in February 2023.

6. Financial impact

- 6.1 This report sets out capital expenditure and funding of £1.28bn based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. These assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.
- 6.2 Investment in additional property assets is likely to result in increased running costs borne by the Council's service areas. [A report on the associated cost implications of changes in the size and profile of the Council's operational property estate](#) was considered by this Committee on 23 May 2019. The report noted the need to provide for the additional revenue costs of several demand- and condition-led school replacements and new-builds. Based on the cost projections intimated in that report and sums provided within the budget framework in respect of known rising school rolls projects, the Wave Four schools programme (as set out in the original 2018 business case) and additional, or expanded, facilities linked to the Local Development Plan, this level of provision was anticipated to be sufficient to meet, in full, these additional costs at that time.

- 6.3 There is, however, a continuing need to assess, based on best-available expenditure and income projections for the projects concerned, the adequacy of sums provided within the budget framework in respect of known and emerging potential commitments. 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.

7. Stakeholder/Community Impact

- 7.1 Consultation on the capital budget will be undertaken as part of the Council's wider 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.
- 7.3 Carbon and wider environmental impacts are being considered in more detail across the strategy and as part of business cases for projects and will be reported in future updates to committee.

8. Background reading/external references

- 8.1 [Sustainable Capital Budget Strategy 2022-2032](#), Finance and Resources Committee, 3 February 2022
- 8.2 [2022-32 Sustainable Capital Budget Strategy - Outturn 2021/22 and Budget 2022/33](#), Finance and Resources Committee, 8 September 2022
- 8.3 [Housing Revenue Account Budget Strategy 2023/24](#), Housing, Homelessness and Fair Work Committee, 29 September 2022
- 8.4 [Changes to the Operational Property Estate: Life Cycle Costs Forecast](#), Finance and Resources Committee, 23 May 2019

9. Appendices

- 9.1 Appendix 1 – Capital Expenditure Priorities and Available Funding
- 9.2 Appendix 2 – Capital Budget Funding Assumptions – 2023-33
- 9.3 Appendix 3 – Savings Proposals
- 9.4 Appendix 4 – Capital Budget Summary, incorporating proposed savings

A Sustainable Capital Budget Strategy 2023 - 2033
Capital Expenditure Priorities and Available Funding

Expenditure Priorities	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	
Project Area	Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Primary Schools	24.360	5.329	10.775	8.256	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	332.602	59.776	87.029	78.021	40.947	2.466	36.996	25.888	1.479	0.000	0.000
New Schools and Extensions for Population Growth	239.332	26.125	28.168	36.937	50.743	50.165	27.406	18.873	0.915	0.000	0.000
Libraries	0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	1.650	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Depots	6.182	6.182	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	4.539	2.739	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Fleet Replacement	4.082	4.082	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	151.233	32.982	13.057	13.690	13.072	13.072	13.072	13.072	13.072	13.072	13.072
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	12.671	1.369	1.238	1.238	1.238	1.238	1.238	1.284	1.450	1.140	1.238
Public Transport, Road Safety and Active Travel	72.645	23.532	11.436	12.413	4.644	3.437	3.437	3.437	3.437	3.437	3.437
Tram Life Cycle Replacement	4.814	2.359	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050
IMPACT	5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	9.000	9.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	0.162	0.162	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	140.850	13.500	14.000	14.000	14.000	14.000	14.000	14.000	14.000	15.350	14.000
EnerPHit	56.575	12.941	19.677	17.484	6.473	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	150.862	48.273	47.420	48.169	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Tram to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT	8.880	4.091	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Contingency ¹	30.000	0.000	0.000	5.000	5.000	5.000	5.000	5.000	5.000	0.000	0.000
Slippage Adjustment ²	17.857	-17.168	-23.908	1.176	23.284	21.508	3.666	2.338	4.139	2.109	0.713
Total Expenditure	1,462.811	301.857	288.011	279.499	172.317	112.937	106.869	85.948	44.935	36.565	33.875

Available Funding	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	
Funding Stream	Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Asset Sales (Unringfenced)	30.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Capital Fund Drawdown	20.014	20.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
General Capital Grant	454.716	39.080	41.287	41.849	46.000	46.500	47.000	47.500	48.000	48.500	49.000
Specific Grants	146.781	48.572	48.730	49.479	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions	65.078	1.158	9.893	2.055	4.888	12.794	19.237	15.053	0.000	0.000	0.000
Loans Fund Advances - Prudential	19.143	14.354	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Loans Fund Advances - On-Lending	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Trams to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	415.399	109.098	114.542	126.825	67.110	19.628	17.553	2.220	-8.515	-14.935	-18.125
	1,340.148	301.196	289.549	265.670	132.480	82.537	87.405	68.388	42.485	36.565	33.875

Funding Deficit / (Surplus)	122.663	0.661	-1.538	13.828	39.837	30.400	19.464	17.560	2.451	0.000	0.000
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¹ Contingency provision relates to projects in current programme and is not available for additional investment

² Slippage provision relates to phasing of expenditure and takes account of projects slipping from 2022-2023. It is not available for additional investment

Capital Budget Funding Assumptions – 2023-33

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
General Capital Grant	454.716	Grant based on indicative sums from Scottish Government Local Government Finance Circular for the next three years: 2023/24: £39.080m 2024/25: £41.287m 2025/26: £41.849m From 2026/27 it is assumed the grant will increase to £46m, similar to levels received in previous years, and increase by £0.5m a year thereafter. This assumption will be kept under review in line with wider political and economic considerations.	Feb 22	Dec 22
Specific Capital Grants	146.781	Grant based on indicative sums in the Scottish Government Local Government Finance Circular for the next three years. This relates to Transfer of the Management of Development Funding (TMDF) for social housing and funding for Cycling Walking and Safer Routes (CWSR). All other capital grant income will only be including in the budget when timing and amount is confirmed.	Feb 22	Dec 22
Asset Sales	30.000	Sales of £3m a year are assumed, based on assessment by the Head of Estates	Oct 22	Feb 23
Capital Fund	20.014	The capital fund contains the proceeds of previous years' asset sales. The balance currently stands at £42.531m. Once other commitments are taken account, £20.014m is available to fund the capital programme.	Oct 22	Feb 23
Developers Contributions	65.078/ 6.369	Developers contributions are assumed at 40% of the cost of schools required by the local development plan, as calculated in February 2022. This was considered a prudent assumption, as contributions collected are rarely enough to cover the costs of a new school, due to timings of planning decisions and site viability issues. Contributions have not been inflated to reflect the significant increases in tender prices, as legal agreements are already in place with developers. Two figures are calculated; one for the original programme and the other reflecting the savings proposals.	Feb 22	Feb 23

Appendix 3

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
Loans Fund Advances - General	415.399	Borrowing assumptions and cash flow reviewed against revenue budget framework to ensure affordability.	Oct 22	Feb 23
Loans Fund Advances – Outcome-based funding	(included in general figure above)	Learning Estate Investment Programme (LEIP) – £18.7m has been assumed for Currie High School, based on the most recently received funding letter and prorated amounts have been assumed for Liberton and Westhales, based on the sizes of the proposed schools. Enerphit - £10m has been assumed based on the business case for the programme.	Oct 22	Feb 23
Loans Fund Advances – Prudential	19.143m	This is based on approved business cases for Fleet Replacement, Depots Review and ICT programmes.	Feb 22	Feb 23
Slippage	-17.857	Based on previous outturn positions, it is assumed that the February budget position will slip by at least 10%. This is therefore built into the budget assumptions, moving 10% of budgeted capital expenditure into the following year. This allows us to gain a truer picture of the underlying need to borrow to finance the capital programme. Slippage Assumption Expenditure following on from the above, it is assumed that roughly half the expenditure will fall into the year immediately following the original planned budget and the remainder into the year after. The negative position report here, is due to the large amount of slippage anticipated from financial year 2022-23.	Oct 22	Feb 23

A Sustainable Capital Budget Strategy 2023-2033
Savings Proposals

Project	Total	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
		Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<i>New Schools</i>											
Builyeon Road Primary School (S Queensferry)	29.172	1.023	7.559	10.590	10.000	0.000	0.000	0.000	0.000	0.000	0.000
Kirkliston/West Edinburgh Secondary Provision	60.000	0.000	0.000	0.000	3.375	24.567	29.200	2.859	0.000	0.000	0.000
Gilmerton Station Road Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.080	7.861	9.344	0.915	0.000
Granton Waterfront Primary School	19.200	0.000	0.000	0.000	1.123	8.176	9.718	0.183	0.000	0.000	0.000
East of Milburn Tower Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.168	8.503	9.529	0.000	0.000
Less: adjustment to assumed developers contributions	-58.709	-0.362	-9.097	-1.259	-4.092	-11.998	-18.441	-14.257	0.796	0.000	0.000
	88.063	0.661	-1.538	9.331	10.406	20.745	22.724	5.150	19.669	0.915	0.000
<i>Balerno High School</i>											
Cost of School Replacement	69.200	0.000	0.000	0.000	2.371	2.466	36.996	25.888	1.479	0.000	0.000
Less: cost of full renovation and retrofit	-34.600	0.000	0.000	0.000	-1.185	-1.233	-18.498	-12.944	-0.740	0.000	0.000
	34.600	0.000	0.000	0.000	1.185	1.233	18.498	12.944	0.740	0.000	0.000
Total Proposed Savings	122.663	0.661	-1.538	9.331	11.591	21.978	41.222	18.094	20.409	0.915	0.000

A Sustainable Capital Budget Strategy 2023-2033
Capital Budget Summary, incorporating proposed savings

Expenditure	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget
Project Area	Total	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Early Years	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Primary Schools	24.360	5.329	10.775	8.256	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	298.002	59.776	87.029	78.021	39.761	1.233	18.498	12.944	0.740	0.000	0.000
New Schools and Extensions for Population Growth	92.560	25.101	20.609	21.850	8.000	9.000	8.000	0.000	0.000	0.000	0.000
Libraries	0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	1.650	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Depots	6.182	6.182	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	4.539	2.739	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Fleet Replacement	4.082	4.082	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	151.233	32.982	13.057	13.690	13.072	13.072	13.072	13.072	13.072	13.072	13.072
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	12.671	1.369	1.238	1.238	1.238	1.238	1.238	1.284	1.450	1.140	1.238
Public Transport, Road Safety and Active Travel	72.645	23.532	11.436	12.413	4.644	3.437	3.437	3.437	3.437	3.437	3.437
Tram Life Cycle Replacement	4.814	2.359	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050
IMPACT	5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	9.000	9.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	0.162	0.162	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	140.850	13.500	14.000	14.000	14.000	14.000	14.000	14.000	14.000	15.350	14.000
EnerPHit	56.575	12.941	19.677	17.484	6.473	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	150.862	48.273	47.420	48.169	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Tram to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT	8.880	4.091	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Contingency	30.000	0.000	0.000	5.000	5.000	5.000	5.000	5.000	5.000	0.000	0.000
Slippage Adjustment	17.857	-17.168	-23.908	1.176	23.284	21.508	3.666	2.338	4.139	2.109	0.713
Total Expenditure	1,281.439	300.834	280.452	264.411	128.388	70.539	68.964	54.131	43.281	36.565	33.875

Funding	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget
Funding Stream	Total	£m	£m	£m	£m	£m	£m	£m	£m	£m
Asset Sales (Unringfenced)	30.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Capital Fund Drawdown	20.014	20.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
General Capital Grant	454.716	39.080	41.287	41.849	46.000	46.500	47.000	47.500	48.000	48.500
Specific Grants	146.781	48.572	48.730	49.479	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions	6.369	0.796	0.796	0.796	0.796	0.796	0.796	0.796	0.796	0.000
Loans Fund Advances - Prudential	19.143	14.354	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000
Loans Fund Advances - On-Lending	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Trams to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	415.399	109.098	114.542	126.825	67.110	19.628	17.553	2.220	-8.515	-14.935
	1,281.439	300.834	280.452	264.411	128.388	70.539	68.964	54.131	43.281	36.565

¹ Contingency provision relates to projects in current programme and is not available for additional investment

² Slippage provision relates to phasing of expenditure and takes account of projects slipping from 2022-2023. It is not available for additional investment