

# Governance, Risk and Best Value Committee

10.00am, Thursday 23 January 2025

## Capital Monitoring 2024-25 - Month Five Position - referral from the Finance and Resources Committee

Executive/routine  
Wards

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred the Capital Monitoring 2024-25 - Month Five Position to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

**Dr Deborah Smart**  
Executive Director of Corporate Services

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# Referral Report

## Capital Monitoring 2024-25 - Month Five Position - referral from the Finance and Resources Committee

### 2. Terms of Referral

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- 2.1 On 19 November 2024, the Finance and Resources Committee considered the Capital Monitoring 2024-25 - Month Five Position. The report set out the capital expenditure and funding position as at month five and full-year outturn projections for the 2024-25 financial year.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month five of the 2024-25 financial year;
  - 2.2.2 To note the Prudential Indicators in appendix 3;
  - 2.2.3 To refer the report to the Governance Risk and Best Value Committee as part of its work programme; and
  - 2.2.4 To note the Climate Assessment of the 2024-25 Capital Programme in Appendix 4.

### 3. Background Reading/ External References

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- 3.1 [Finance and Resources Committee – 19 November 2024 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 19 November 2024

### 4. Appendices

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- 4.1 Appendix 1 - Capital Monitoring 2024-25 - Month Five Position  
Executive Director of Corporate Services

# Finance and Resources Committee

10.00am, Tuesday, 19<sup>th</sup> November 2024

## Capital Monitoring 2024-25 - Month Five Position

Executive/routine  
Wards

Executive  
All

### 1. Recommendations

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- 1.1 To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month five of the 2024-25 financial year.
- 1.2 To note the Prudential Indicators in appendix 3.
- 1.3 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.
- 1.4 To note the Climate Assessment of the 2024-25 Capital Programme in Appendix 4.

#### Dr Deborah Smart

Executive Director of Corporate Services

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# Report

## Capital Monitoring 2024-25 - Month Five Position

### 2. Executive Summary

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- 2.1 The report provides the capital expenditure and funding position as at month five and full-year outturn projections for the 2024-25 financial year, providing explanations for key variances.
- 2.2 An update on the Sustainable Capital Budget Strategy is also brought to Finance and Resources Committee on this agenda. This report will look ahead to 2025-26 Budget Setting, with a focus on addressing emerging pressures and priorities against a continuing funding constraint.

### 3. Background

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- 3.1 In February 2024, the Council set its [Capital budget for the period 2024-34](#) which prioritised £1,450.9m of capital expenditure for general services and additional investment of £40.8m in carriageways and footways, flood prevention, biodiversity equipment, off road path safety and the Water of Leith. In setting the budget, the Council looked to address the pressures arising from the current financial climate, to ensure delivery of priority and in-progress projects. This budget was subsequently revised to reflect updated cash flow projects and approved by this committee on 19 September 2024 in the [2023-24 Capital Outturn, Month Three Capital Monitoring and Revised 2024-34 Capital Budget](#) report.
- 3.2 In February 2024, the council approved the [HRA Budget Strategy 2024-34](#) setting out plans for capital investment of £3,772.0m over the next 10 years. The strategy was updated to reflect the current financial climate and changes in assumptions regarding rental increases and the cost of borrowing. Again, this Capital budget was revised to account for additional funding and the latest cashflow projections.

### 4. Main report

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#### Capital Monitoring 2024-25 – Month Five Position

## **General Fund**

- 4.1 At month 5, the General Fund expenditure is projected to be £328.0m, against a budget of £365.2m. This means net capital expenditure of £37.2m (10.2%) is now not expected until 2025-26 or later. A summary is provided in Appendix 1.
- 4.2 Projects where expenditure will move out to 2025-26 include:
- 4.2.1 The Fleet Replacement Programme (£15.5m) - as the programme progresses, a better understanding of delivery timescales is developing which is indicating longer lead times than previously anticipated. The current projection is that the programme remains within the overall budget approved by committee in November 2023, however until vehicles are delivered there will be ongoing hire charges impacting the revenue position.
  - 4.2.2 The Depots Programme (£7.4m) - following the completion of Bankhead works the next phase is due to start in 2025-26.
  - 4.2.3 The new St Catherines Primary School, (£11.0m) as work is now not expected to start this financial year.
  - 4.2.4 Frogston Primary School Extension, where £4.6m of expenditure funded through developers' contributions will now not begin in 2024-25, following the conclusion of statutory consultation.
  - 4.2.5 These delays in expenditure are slightly offset by £2m of expenditure on the MacMillan Hub project that has been front funded by the Council, as agreed by committee in September 2022, in lieu of contributions generated by North Edinburgh Arts (NEA). The project has encountered difficulties in connecting with the existing building, increasing the cost for essential works and subsequent time on site. It should be noted that NEA is still fund raising and is yet to generate their share of the costs.
- 4.3 General Fund income is expected to total £121.4m, resulting in Loans Fund Advances of £206.5m. This is £31.1m (13.1%) less than the revised budget. £21.5m of this reduction is related to prudentially funded projects including the Fleet and Depot programmes mentioned above.
- 4.4 An update on the Sustainable Capital Budget Strategy is also brought to Finance and Resources Committee on this agenda. This report looks ahead to 2025-26 Budget Setting, with a focus on addressing emerging pressures and priorities against a backdrop of continuing funding constraint.

## **Housing Revenue Account**

- 4.5 HRA expenditure is projected to be £179.3m against revised budget of £180.6m, a variance of £1.3m (0.7%). A breakdown is in Appendix 2.
- 4.5.1 Housebuilding programme is expected to underspend this year by £4.6m as a result of;
    - 4.5.1.1 A delay in receiving the tender for Murrayburn Gate (£5.5m), which has now been resolved.

- 4.5.1.2 Greendykes K&L, whilst now on site, has had expenditure forecasts aligned to the latest programme of works (£2.9m).
- 4.5.1.3 Western Villages £3.3m of expenditure brought forward into 2024-25 in line with latest cash flow projections.
- 4.5.2 The Existing Homes programme requires £3.3m of expenditure to be brought forward due mostly to;
  - 4.5.2.1 Windows and doors programme now being underway following procurement delays (£1.5m ).
  - 4.5.2.2 The Whole House Retrofit programme in four multi storey blocks (Oxcars/Inchmickery and Craigmillar/Peffermill) beginning in earnest (£1.1m).
- 4.6 HRA Income is expected to total £43.0m, which is in line with the revised budget. The overall programme will result in a net requirement of £136.3m in Loans Fund Advances, £1.1m (0.8%) less than budget.

## 5. Next Steps

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- 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 Resources Committee at month seven and month twelve showing the position against the revised 2024-25 capital budget.
- 5.4 An update on the Sustainable Capital Budget Strategy is also brought to Finance and Resources Committee on this agenda. This report looks ahead to 2024-25 Budget Setting, with a focus on addressing emerging pressures and priorities against a backdrop of continuing funding constraint.

## 6. Financial impact

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- 6.1 The 2024-25 General Fund projected outturn outlines loans fund advances of £206.5m. The overall loan charges associated with this over a 30-year period would be a principal amount of £206.5m, interest and expenses of £134.0m, resulting in a total cost of £340.6m based on a loans fund interest rate of 4%. The average annual cost would be £11.4m for 30 years.
- 6.2 The 2024-25 HRA projected outturn outlines loans fund advances of £136.3m. The overall loan charges associated with this over a 30-year period would be a principal amount of £136.3m, interest and expenses of £93.9m, resulting in a total cost of £230.2m based on a loans fund interest rate of 4.25%. The average annual cost would be £7.7m for 30 years.

- 6.3 Borrowing required to support these loans fund advances 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 Monitoring of the Council's Prudential Indicators for 2024-25 is set out in Appendix 3. Full prudential indicators were presented to Council in the [Treasury Management: Annual Report 2023/24](#) on 19 September 2024

## **7. Equality and Poverty Impact**

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- 7.1 The equality and poverty impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

## **8. Climate and Nature Emergency Implications**

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- 8.1 Public sector climate change duties have been strengthened in 2022 with a new requirement to ensure alignment of spending plans and use of resources with sustainability ambitions. To this end, a new methodology developed by the Institute for Climate Economics (ICE) has been trialled to better understand the climate impacts of the Council's capital budget strategy.
- 8.2 The assessment can be found in Appendix 4 with key findings showing that, for the expected expenditure for 2024-25
  - 56 % of the total investment (£1,155 m) is in line with the Council's climate ambition (labelled as either "favourable under conditions", or "very favourable")
  - 21 % is considered as neutral
  - 11 % is unfavourable
  - 13 % is classified as "undefined" as the expenditure did not match with any item in the taxonomy

## **9. Risk, policy, compliance, governance and community impact**

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- 9.1 The budget is monitored by officers on an ongoing basis with due consideration given to existing and emerging risks, and recommendations to address them given to members where and when required.
- 9.2 The Capital Budget Strategy is approved and monitored against the underlying Prudential Code, which ensures the Council carries out its duties under Part 7 of the Local Government in Scotland Act 2003.
- 9.3 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.

## 10. Background reading/external references

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- 10.1 [Housing Revenue Account \(HRA\) Budget Strategy](#). Referral from Finance and Resources Committee, 22 February 2024
- 10.2 [Sustainable Capital Budget Strategy 2024-34](#). Referral from Finance and Resources Committee, 22 February 2024
- 10.3 [Capital Strategy 2024-34 – Annual Report](#). Referral from Finance and Resources Committee, 21 March 2024
- 10.4 [Annual Treasury Management Strategy 2024/25](#). Referral from Finance and Resources Committee, 21 March 2024
- 10.5 [2023-24 Capital Outturn, Month Three Capital Monitoring and Revised 2024-34 Capital Budget](#). Finance and Resources Committee, 19 September 2024
- 10.6 [Treasury Management: Annual Report 2023/24](#). Finance and Resources Committee, 19 September 2024

## 11. Appendices

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- 11.1 Appendix 1 – 2024-25 Capital Monitoring Month Five – General Fund
- 11.2 Appendix 2 – 2024-25 Capital Monitoring Month Five – HRA
- 11.3 Appendix 3 – 2024-25 Capital Monitoring Month Five Prudential Indicators
- 11.4 Appendix 4 - 2024-25 Climate Assessment of the Capital Programme



## Appendix 1 - 2024/25 General Fund Capital Monitoring

	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
<b>EXPENDITURE</b>							
Learning Estate	144.819	4.803	149.622	39.163	134.738	(14.884)	-9.95%
Edinburgh Living LLPs	70.500	(64.465)	6.035	-	6.035	-	0.00%
Asset Management Works	41.678	(18.016)	23.661	5.350	22.520	(1.141)	-4.82%
Transport & Infrastructure	57.947	8.807	66.755	25.148	66.659	(0.095)	-0.14%
Place - Other	120.434	(13.659)	106.775	17.910	83.896	(22.880)	-21.43%
Corporate Services	0.619	2.764	3.384	0.112	3.384	-	0.00%
Edinburgh Health and Social Care Partnership	4.924	-	4.924	-	4.924	-	0.00%
Other Community	2.528	1.518	4.046	1.143	5.799	1.753	43.32%
Contingency	(1.722)	1.722	-	-	-	-	0.00%
Slippage Assumption	(43.080)	43.080	-	-	-	-	0.00%
<b>Total Gross Expenditure</b>	<b>398.648</b>	<b>(33.445)</b>	<b>365.203</b>	<b>88.825</b>	<b>327.955</b>	<b>(37.247)</b>	<b>-10.20%</b>
<b>FUNDING</b>							
<i>Capital Receipts</i>							
General Asset Sales	10.453	(1.653)	8.800	0.642	8.382	(0.418)	-4.75%
Capital from Current Revenue	13.000	7.930	20.930	0.201	19.788	(1.142)	-5.45%
Other Capital Contributions	1.580	0.132	1.712	0.127	1.712	-	0.00%
Developers Contributions Applied	-	11.605	11.605	-	7.024	(4.580)	-39.47%
<i>Total Capital Receipts from Asset Sales</i>	<b>25.033</b>	<b>18.013</b>	<b>43.046</b>	<b>0.969</b>	<b>36.907</b>	<b>(6.140)</b>	<b>-14.26%</b>
<i>Drawdown from/ (to) Capital Fund</i>	-	-	-	-	-	-	0.00%
<b>Total Capital Receipts and Contributions</b>	<b>25.033</b>	<b>18.013</b>	<b>43.046</b>	<b>0.969</b>	<b>36.907</b>	<b>(6.140)</b>	<b>-14.26%</b>
<i>Grants</i>							
General Capital Grant	35.692	3.692	39.384	18.610	39.384	-	0.00%
Less: Contribution to Capital Fund (Pay Award)	-	-	-	-	-	-	0.00%
Capital Grants Unapplied Account	-	4.207	4.207	0.061	4.207	-	0.00%
Specific Capital Grants - TMDF	45.211	(10.304)	34.907	-	34.907	-	0.00%
Specific Capital Grants - CWSS	2.299	(2.299)	-	(0.000)	-	-	0.00%
Specific Capital Grants - Place Based Investment Programme	1.213	(0.608)	0.606	-	0.606	-	0.00%
Specific Grants - Other	-	5.396	5.396	6.118	5.396	-	0.00%
<b>Total Grants</b>	<b>84.415</b>	<b>0.085</b>	<b>84.500</b>	<b>24.790</b>	<b>84.500</b>	<b>-</b>	<b>0.00%</b>
<b>Total Funding</b>	<b>109.448</b>	<b>18.098</b>	<b>127.546</b>	<b>25.759</b>	<b>121.406</b>	<b>(6.140)</b>	<b>-4.81%</b>
<i>Borrowing</i>							
New Prudential Borrowing in Year	62.559	(3.535)	59.023	8.310	37.498	(21.526)	-36.47%
New On-Lending in Year	70.500	(64.465)	6.035	-	6.035	-	0.00%
New Capital Advance - Trams to Newhaven	-	1.394	1.394	0.118	1.394	-	0.00%
New Capital Advance - General Fund	156.141	15.063	171.204	54.638	161.622	(9.582)	-5.60%
<b>Balance to be funded through Loans Fund Advance</b>	<b>289.200</b>	<b>(51.543)</b>	<b>237.656</b>	<b>63.066</b>	<b>206.549</b>	<b>(31.107)</b>	<b>-13.09%</b>

## Appendix 2 - 2024/25 Housing Revenue Account Capital Monitoring

	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
<b>EXPENDITURE</b>							
New Homes Development	68.896	(25.755)	43.141	11.303	38.590	(4.552)	-10.55%
New Homes Land Costs	-	0.900	0.900	1.815	0.900	-	0.00%
Off The Shelf Purchases	5.173	53.652	58.825	29.733	58.825	-	0.00%
Improvement to Council Homes and Estates	62.124	15.600	77.724	30.284	81.018	3.294	4.24%
<b>Total Gross Expenditure</b>	<b>136.193</b>	<b>44.398</b>	<b>180.591</b>	<b>73.134</b>	<b>179.333</b>	<b>(1.258)</b>	<b>-0.70%</b>
<b>FUNDING</b>							
Market Sales	-	8.676	8.676	3.721	8.676	-	0.00%
Receipts from LLPs	36.818	(30.783)	6.035	-	6.035	-	0.00%
Council Tax Discount Fund	6.200	6.478	12.678	-	12.678	-	0.00%
Developer & Other Contributions	1.667	0.249	1.916	0.207	1.709	(0.207)	-10.81%
Scottish Government Grant Affordable Housing	16.215	(6.304)	9.911	-	9.911	-	0.00%
Other Grant Funding	4.000	-	4.000	2.663	4.000	-	0.00%
<b>Total Funding</b>	<b>64.900</b>	<b>(21.684)</b>	<b>43.216</b>	<b>6.591</b>	<b>43.009</b>	<b>(0.207)</b>	<b>-0.48%</b>
<b>Balance to be funded through Loans Fund Advance</b>	<b>71.293</b>	<b>66.082</b>	<b>137.374</b>	<b>66.543</b>	<b>136.324</b>	<b>(1.051)</b>	<b>-0.76%</b>

## Appendix 3 - Month 5 2024-25 Prudential Indicators Monitoring

Indicator 1 - Estimate of Capital Expenditure			
	2024/25 Revised Budget	2024/25 Projected Outturn	2024/25 Variance
General Fund	£ 360.5m	£ 328.0m	£ 32.6m
Housing Revenue Account	£ 180.4m	£ 179.3m	£ 1.1m
<b>Total Capital Expenditure</b>	<b>£ 540.9m</b>	<b>£ 507.3m</b>	<b>£ 33.6m</b>

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream			
	2024/25 Revised Budget	2024/25 Projected Outturn	2024/25 Variance
General Services	8.1%	8.4%	-0.3%
Housing Revenue Account (HRA)	40.0%	40.0%	0.0%

Indicator 3 - Capital Financing Requirement			
	2024/25 Revised Budget	2024/25 Projected Outturn	2024/25 Variance
General Services (inc. Finance Leases / Right of Use Assets/ Service Concession Flexibility)	£ 1,868.3m	£ 1,837.2m	£ 31.1m
Housing Revenue Account (HRA)	£ 604.3m	£ 603.3m	£ 1.1m
NHT LLPs	£ 8.6m	£ 8.6m	£ -
Edinburgh Living LLPs	£ 71.9m	£ 71.9m	£ -
<b>Total Capital Financing Requirement</b>	<b>£ 2,553.2m</b>	<b>£ 2,521.1m</b>	<b>£ 32.2m</b>
Gross Debt	£ 2,209.8m	£ 2,209.8m	£ -
<b>(Over) / under limit by:</b>	<b>£ 343.4m</b>	<b>£ 311.2m</b>	<b>£ 32.2m</b>

Indicator 4 - Authorised Limit for External Debt			
	2024/25 Authorised Limit	2024/25 Month 5 Debt	Within Limit
External Debt exc, credit arrangements	£ 2,841.6m	£ 2,195.5m	£ 646.2m

Indicator 5 - Operational Boundary for External Debt			
	2024/25 Operational Boundary	2024/25 Month 5 Debt	Within Boundary
External Debt exc, credit arrangements	£ 2,791.6m	£ 2,195.5m	£ 596.2m

Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans			
	2024/25 Revised Budget	2024/25 Projected Outturn	2024/25 Variance
<b>General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances</b>			
Loans Fund Advances in year	£ 231.6m	£ 200.5m	£ 31.1m
Year 1 - Interest Only	£ 4.6m	£ 4.0m	£ 0.6m
Year 2 - Interest and Principal Repayment	£ 17.0m	£ 14.7m	£ 2.3m
<b>Housing Revenue Account (HRA) - New Loans Fund Advances</b>			
Loans Fund Advances in year (excl. LLP programme)	£ 137.4m	£ 136.3m	£ 1.1m
Year 1 - Interest Only	£ 2.9m	£ 2.9m	£ 0.0m
Year 2 - Interest and Principal Repayment	£ 8.4m	£ 6.6m	£ 1.8m

## Appendix 4 - Climate Assessment of Capital Programme 2024-25

Capital Investment Programme	Very favourable	Favourable under conditions	Neutral	Undefined	Unfavourable	
	100%	24%	32%	21%	13%	11%
Project Area	Total	£m	£m	£m	£m	£m
Pre-Primary - New	2.967	0.000	0.000	2.967	0.000	0.000
Pre-Primary - Extensions	0.238	0.000	0.000	0.238	0.000	0.000
Primary Schools - New	21.850	2.380	2.103	0.000	0.000	17.367
Primary Schools - Extensions	4.631	0.406	2.976	1.249	0.000	0.000
Secondary Schools - New	103.811	12.121	91.690	0.000	0.000	0.000
Secondary Schools - Extensions	0.946	0.055	0.641	0.250	0.000	0.000
Special Schools	0.295	0.000	0.295	0.000	0.000	0.000
Other Community	5.799	0.263	4.118	1.418	0.000	0.000
Asset Management Works & Retrofit	17.120	6.900	1.458	8.762	0.000	0.000
Reinforced Aerated Autoclave Concrete Works (RAAC)	5.400	0.000	0.000	5.400	0.000	0.000
Transport & Infrastructure	65.910	41.017	0.000	24.893	0.000	0.000
Waste	7.907	7.900	0.000	0.007	0.000	0.000
Parks & Greenspace	5.427	1.961	0.000	3.466	0.000	0.000
Depot Review	0.400	0.400	0.000	0.000	0.000	0.000
Fleet	22.754	4.801	0.000	0.000	0.000	17.953
Cemeteries	0.750	0.000	0.000	0.750	0.000	0.000
Other Housing and Regeneration	39.942	0.054	0.000	4.981	34.907	0.000
Edinburgh Living	6.035	0.000	0.000	0.000	6.035	0.000
Other Culture	7.466	-0.005	1.100	6.324	0.047	0.000
Corporate Services	3.384	0.000	0.010	3.226	0.148	0.000
Health and Social Care	4.924	0.000	0.000	4.924	0.000	0.000
<b>Total Assessed Expenditure</b>	<b>327.955</b>	<b>78.253</b>	<b>104.390</b>	<b>68.855</b>	<b>41.137</b>	<b>35.320</b>

Category	Description	Example(s)
<b>Very Favourable</b>	Expenditure is compatible with net zero. It enables significant reductions in emissions or increases in carbon sequestration technologies. It represents a structural change in energy consumption or production.	Significant Improvements in the thermal performance of buildings Installation of solar PV Purchase of electric vehicles
<b>Favourable Under Conditions</b>	Expenditure enabling short-term reductions in emissions, but insufficient to achieve net zero. This category includes equipment and infrastructure that may have a risk of carbon lock-in in the longer term.	Purchase of LPG or hybrid vehicles Minor improvements in the thermal performance of buildings Construction of replacement buildings to current environmental standards on brownfield sites (no soil sealing)
<b>Neutral</b>	Expenditure that does not have a significant positive or negative impact on emissions.	Investment in Parks and Greenspace Investment in building renovation not related to energy efficiency
<b>Unfavourable</b>	Expenditure which is incompatible with net zero because it results in significant emissions of greenhouse gases	Purchase of petrol or diesel vehicles Construction of new buildings on greenfield sites (soil sealing)
<b>Undefined</b>	Expenditure that may have a climate impact (either favourable or unfavourable), but there is insufficient information available to categorise the spend.	Investment in affordable housing, where it is unclear the extent to which housing is to be built on greenfield sites, or whether it exceeds current sustainability standards. Asset Management Works Programme where the extent to which spend is on environmental retrofit is still to be determined