

Governance, Risk and Best Value Committee

10.00am, Thursday, 23 January 2025

Capital Monitoring 2024-25 - Month Seven Position – referral from the Finance and Resources Committee

Executive/routine
Wards

1. For Decision/Action

- 1.1 The Finance and Resources Committee has referred a report on the Capital Monitoring 2023-24 - Month Seven Position, to the Governance, Risk and Best Value Committee as part of its work programme.

Paul Lawrence
Chief Executive

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Referral Report

Capital Monitoring 2024-24 - Month Seven Position – referral from the Finance and Resources Committee

2. Terms of Referral

- 2.1 On 16 January 2025, the Finance and Resources Committee considered a report which provided the capital expenditure and funding position as at month seven and full-year outturn projections for the 2024-25 financial year, providing explanations for key variances.
- 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 seven 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

- 3.1 [Finance and Resources Committee – 16 January 2025 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 16 January 2025

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 16th January 2025

Capital Monitoring 2024-25 - Month Seven Position

Executive/routine
Wards

Executive
All

1. Recommendations

- 1.1 To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month seven 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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Capital Monitoring 2024-25 - Month Seven Position

2. Executive Summary

- 2.1 The report provides the capital expenditure and funding position as at month seven and full-year outturn projections for the 2024-25 financial year, providing explanations for key variances.

3. Background

- 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.
- 3.3 The [Capital Monitoring 2024-25 - Month Five Position](#) was reported to Finance and Resources Committee on 19th November 2024 and highlighted that £37.2m (10.2%) of General Fund and £1.3m (0.7%) of HRA capital expenditure was now not expected until 2025-26 or later.

4. Main report

Capital Monitoring 2024-25 – Month Seven Position

General Fund

- 4.1 At month 7, the General Fund expenditure is projected to be £317.2m, against a budget of £368.6m. This means net capital expenditure of £51.5m (14.0%) 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 (£9.2m), with latest delivery estimates indicating that 419 vehicles will be delivered this financial year. The current projection is that the programme remains within the overall budget approved by committee in November 2023.
 - 4.2.2 The Depots Programme (£7.4m); with the next phase due to start in 2025-26 following the completion of Bankhead.
 - 4.2.3 New Liberton High School (£13m); which has suffered an 8 week delay due to unforeseen site conditions and measures undertaken to mitigate the impact of the NHS now leasing instead of contributing to the construction cost.
 - 4.2.4 The new St Catherines Primary School (£11.0m) with work not expected to start this financial year as the project is yet to reach design stage.
 - 4.2.5 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.
 - 4.2.6 Other New School projects (totalling £8.0m) for which forecasts have been realigned to latest cost plans. This includes Currie High School (£3.0m), Builyeon Road Design (£3.2m) and Wester Hailes Education Centre (£1.6m).
 - 4.2.7 These delays in expenditure are slightly offset by £2.9m 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 its share of the costs.
 - 4.2.8 Additionally, the Carriageways and Footways capital programme is likely to bring forward some expenditure (£1.8m) from 2025-26 to co-ordinate some works and realise some efficiencies whilst on site in certain areas.
- 4.3 General Fund income is expected to total £118.3m, resulting in Loans Fund Advances of £198.9m. This is £42.7m (17.7%) less than the revised budget. £11.8m of this reduction is related to prudentially funded projects including the Fleet and Depot programmes mentioned above. £8.8m of this also due to delays in application of capital receipts and contributions;
 - 4.3.1 It is anticipated that a £2.9m capital receipt for land at Brunstane may be received early in 2025-26.

- 4.3.2 £4.6m of developer's contributions cannot be drawn down and used for Frogston until the expenditure is incurred, now expected in 2025-26 as noted in paragraph 4.2.5.
- 4.3.3 £0.9m of reserves earmarked for the fleet replacement programme should be drawn down in 2025-26 in line with delivery of the specific vehicles.
- 4.4 The officer recommended 2025-35 Sustainable Capital Budget Strategy will be brought to the Special Finance and Resources Committee on 4th February 2025. The focus will be on incorporating strategic projects to address emerging pressures and priorities.

Housing Revenue Account

- 4.5 HRA expenditure is projected to be £169.2m against revised budget of £181.1m, a variance of £11.9m (6.6%). A breakdown is in Appendix 2.
 - 4.5.1 Housebuilding programme is expected to underspend this year by £11.1m as a result of;
 - 4.5.1.1 A delay in receiving the tender for Murrayburn Gate (£5.3m), which has now been resolved and site start expected this financial year.
 - 4.5.1.2 Greendykes K&L, whilst now on site, has had expenditure forecasts aligned to the latest programme of works (£6.5m).
 - 4.5.1.3 Western Villages will bring forward £2.6m of expenditure into 2024-25 in line with latest cash flow projections.
 - 4.5.2 The Existing Homes programme requires £0.8m of expenditure to be moved out to 2025-26 due mostly to;
 - 4.5.2.1 Windows and doors programme (£1.2m) which saw a delay in awarding a contract due to a legal challenge in the procurement process. The Sash and case windows programme also encountered delays as framework suppliers were unable to provide styles that met planning conditions.
 - 4.5.2.2 The Whole House Retrofit programme (£1.1m) in four multi storey blocks (Oxcars/Inchmickery and Craigmillar/Peffermill) having started the design process is unlikely to cost as much this year as previously expected.
 - 4.5.2.3 Multi Storey Services (£1.3m) May and Gunnet Court service upgrade programme encountering communal fire door design challenges and two failed procurement exercises. This project is now ready for contract award.
 - 4.5.2.4 However, the fire safety programme will see an increased spend (£3.1m) as the works programme for high rise blocks is on site much earlier than expected.
 - 4.5.2.5 The Kitchen and Bathroom Programme will see an underspend (£1m) as one of the successful tenderers went into liquidation.

Furthermore, there have been delays on starting on site because of access issues to tenants' homes.

- 4.6 HRA Income is expected to total £43.7m, which is in line with the revised budget. The overall programme will result in a net requirement of £125.4m in Loans Fund Advances, £11.9m (8.7%) less than 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 The officer recommended 2025-35 Sustainable Capital Budget Strategy will be brought to the Special Finance and Resources Committee on 4th February 2025. The focus will be on incorporating on strategic projects to address emerging pressures and priorities.

6. Financial impact

- 6.1 The 2024-25 General Fund projected outturn outlines loans fund advances of £198.9m. The overall loan charges associated with this over a 30-year period would be a principal amount of £198.9m, interest and expenses of £129.1m, resulting in a total cost of £328.0m based on a loans fund interest rate of 4%. The average annual cost would be £10.9m for 30 years.
- 6.2 The 2024-25 HRA projected outturn outlines loans fund advances of £125.4m. The overall loan charges associated with this over a 30-year period would be a principal amount of £125.4m, interest and expenses of £86.4m, resulting in a total cost of £211.9m based on a loans fund interest rate of 4.25%. The average annual cost would be £7.1m 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

- 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

- 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 methodology developed by the Institute for Climate Economics (I4CE) has been used 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
- 47 % of the total investment (£150.6 m) is in line with the Council's climate ambition (labelled as either "favourable under conditions", or "very favourable")
 - 28 % is considered as neutral
 - 12 % 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

- 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

- 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 [Capital Monitoring 2024-25 - Month Five Position](#). Finance and Resources Committee, 19 November 2024

- 10.7 [Treasury Management: Annual Report 2023/24](#). Finance and Resources Committee, 19 September 2024
- 10.8 [Capital Budget Update 2025-2035](#). Finance and Resources Committee, 19 November 2024

11. Appendices

- 11.1 Appendix 1 – 2024-25 Capital Monitoring Month Seven – General Fund
- 11.2 Appendix 2 – 2024-25 Capital Monitoring Month Seven – HRA
- 11.3 Appendix 3 – 2024-25 Capital Monitoring Month Seven 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	%
EXPENDITURE							
Learning Estate	144.819	5.023	149.842	61.492	113.209	(36.633)	-24.45%
Edinburgh Living LLPs	70.500	(64.465)	6.035	-	6.035	-	0.00%
Asset Management Works	41.678	(17.923)	23.755	9.298	23.986	0.231	0.97%
Transport & Infrastructure	57.947	12.089	70.036	40.285	69.315	(0.721)	-1.03%
Place - Other	120.434	(13.818)	106.616	31.876	90.724	(15.892)	-14.91%
Corporate Services	0.619	2.764	3.384	0.148	3.384	-	0.00%
Edinburgh Health and Social Care Partnership	4.924	-	4.924	-	4.645	(0.279)	-5.66%
Other Community	2.528	1.518	4.046	2.095	5.890	1.843	45.55%
Contingency	(1.722)	1.722	-	-	-	-	0.00%
Slippage Assumption	(43.080)	43.080	-	-	-	-	0.00%
Total Gross Expenditure	398.648	(30.009)	368.638	145.196	317.188	(51.451)	-13.96%
FUNDING							
<i>Capital Receipts</i>							
General Asset Sales	10.453	(1.593)	8.860	0.925	5.572	(3.288)	-37.11%
Capital from Current Revenue	13.000	3.647	16.647	0.417	15.721	(0.926)	-5.56%
Other Capital Contributions	1.580	0.198	1.778	0.192	1.778	-	0.00%
Developers Contributions Applied	-	11.605	11.605	-	7.024	(4.580)	-39.47%
<i>Total Capital Receipts from Asset Sales</i>	25.033	13.856	38.889	1.534	30.095	(8.794)	-22.61%
<i>Drawdown from/ (to) Capital Fund</i>	-	(0.140)	(0.140)	-	(0.140)	-	0.00%
Total Capital Receipts and Contributions	25.033	13.716	38.749	1.534	29.955	(8.794)	-22.69%
<i>Grants</i>							
General Capital Grant	35.692	4.491	40.183	25.344	40.183	-	0.00%
Less: Contribution to Capital Fund (Pay Award)	-	-	-	-	-	-	0.00%
Capital Grants Unapplied Account	-	3.697	3.697	0.077	3.697	-	0.00%
Specific Capital Grants - TMDF	45.211	(10.304)	34.907	6.973	34.907	-	0.00%
Specific Capital Grants - CWSS	2.299	(1.099)	1.200	(0.000)	1.200	-	0.00%
Specific Capital Grants - Place Based Investment Programme	1.213	(0.608)	0.606	0.606	0.606	-	0.00%
Specific Grants - Other	-	7.729	7.729	7.339	7.729	-	0.00%
Total Grants	84.415	3.907	88.322	40.339	88.322	-	0.00%
Total Funding	109.448	17.623	127.071	41.873	118.277	(8.794)	-6.92%
<i>Borrowing</i>							
New Prudential Borrowing in Year	62.559	(7.035)	55.523	11.980	43.711	(11.813)	-21.28%
New On-Lending in Year	70.500	(64.465)	6.035	-	6.035	-	0.00%
New Capital Advance - Trams to Newhaven	-	5.677	5.677	0.118	5.677	-	0.00%
New Capital Advance - General Fund	156.141	18.191	174.332	91.225	143.488	(30.844)	-17.69%
Balance to be funded through Loans Fund Advance	289.200	(47.632)	241.568	103.323	198.911	(42.657)	-17.66%

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	%
EXPENDITURE							
New Homes Development	68.896	(25.371)	43.525	15.845	32.410	(11.115)	-25.54%
New Homes Land Costs	-	0.900	0.900	0.105	0.900	-	0.00%
Off The Shelf Purchases	5.173	53.652	58.825	43.086	58.825	-	0.00%
Improvement to Council Homes and Estates	62.124	15.703	77.826	44.934	77.019	(0.807)	-1.04%
Total Gross Expenditure	136.193	44.884	181.077	103.970	169.154	(11.923)	-6.58%
FUNDING							
Market Sales	-	8.676	8.676	5.380	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	0.352	2.019	0.306	2.019	-	0.00%
Scottish Government Grant Affordable Housing	16.215	(6.304)	9.911	0.700	9.911	-	0.00%
Other Grant Funding	4.000	0.384	4.384	2.768	4.384	-	0.00%
Total Funding	64.900	(21.198)	43.703	9.154	43.703	-	0.00%
Balance to be funded through Loans Fund Advance	71.293	66.082	137.374	94.816	125.452	(11.923)	-8.68%

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	£ 317.2m	£ 43.3m
Housing Revenue Account	£ 180.4m	£ 169.2m	£ 11.2m
Total Capital Expenditure	£ 540.9m	£ 486.3m	£ 54.6m

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%	7.9%	0.2%
Housing Revenue Account (HRA)	40.0%	39.9%	0.2%

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	£ 1,829.6m	£ 38.7m
Housing Revenue Account (HRA)	£ 604.3m	£ 592.4m	£ 11.9m
NHT LLPs	£ 8.6m	£ 8.6m	£ -
Edinburgh Living LLPs	£ 71.9m	£ 71.9m	£ -
Total Capital Financing Requirement	£ 2,553.2m	£ 2,502.6m	£ 50.7m
Gross Debt	£ 2,209.8m	£ 2,209.8m	£ -
(Over) / under limit by:	£ 343.4m	£ 292.7m	£ 50.7m

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
General Services (excluding On-Lending) - New Loans Fund Advances			
Loans Fund Advances in year	£ 231.6m	£ 192.9m	£ 38.7m
Year 1 - Interest Only	£ 4.6m	£ 3.9m	£ 0.8m
Year 2 - Interest and Principal Repayment	£ 17.0m	£ 14.1m	£ 2.8m
Housing Revenue Account (HRA) - New Loans Fund Advances			
Loans Fund Advances in year (excl. LLP programme)	£ 137.4m	£ 125.5m	£ 11.9m
Year 1 - Interest Only	£ 2.9m	£ 2.7m	£ 0.3m
Year 2 - Interest and Principal Repayment	£ 8.4m	£ 5.6m	£ 2.8m

Appendix 4 - Climate Assessment of Capital Programme 2024-25

Capital Investment Programme	Very favourable	Favourable under conditions	Neutral	Undefined	Unfavourable	
	100%	19%	28%	28%	13%	12%
Project Area	Total	£m	£m	£m	£m	£m
Pre-Primary - New	2.687	0.000	0.000	2.687	0.000	0.000
Pre-Primary - Extensions	0.013	0.000	0.000	0.013	0.000	0.000
Primary Schools - New	18.666	1.998	2.103	0.000	0.000	14.565
Primary Schools - Extensions	4.134	0.350	2.570	1.213	0.000	0.000
Secondary Schools - New	86.217	10.010	76.207	0.000	0.000	0.000
Secondary Schools - Extensions	1.198	0.083	0.845	0.270	0.000	0.000
Special Schools	0.295	0.000	0.295	0.000	0.000	0.000
Other Community	5.890	0.378	4.961	0.550	0.000	0.000
Asset Management Works & Retrofit	18.586	6.900	1.678	10.008	0.000	0.000
Reinforced Aerated Autoclave Concrete Works (RAAC)	5.400	0.000	0.000	5.400	0.000	0.000
Transport & Infrastructure	68.565	24.248	0.256	44.062	0.000	0.000
Waste	8.067	7.900	0.000	0.167	0.000	0.000
Parks & Greenspace	5.666	2.106	0.000	3.560	0.000	0.000
Depot Review	0.400	0.400	0.000	0.000	0.000	0.000
Fleet	28.967	6.106	0.000	0.000	0.000	22.861
Cemeteries	0.750	0.000	0.000	0.750	0.000	0.000
Other Housing and Regeneration	40.158	0.054	0.000	5.197	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	4.645	0.000	0.000	4.645	0.000	0.000
Total Assessed Expenditure	317.188	60.528	90.023	88.073	41.137	37.426

Category	Description	Example(s)
Very Favourable	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
Favourable Under Conditions	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)
Neutral	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
Unfavourable	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)
Undefined	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