

# Governance, Risk and Best Value Committee

10am, Tuesday 17 September 2019

## Capital Monitoring 2019/20 – Month Three Position– referral from the Finance and Resources Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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

**Andrew Kerr**

Chief Executive

Contact: Martin Scott, Committee Services

Email: [martin.scott@edinburgh.gov.uk](mailto:martin.scott@edinburgh.gov.uk) | Tel: 0131 529 4237

# Referral Report

## Capital Monitoring 2019/20 – Month Three Position – referral from the Finance and Resources Committee

### 2. Terms of Referral

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- 2.1 On 15 August 2019 the Finance and Resources Committee considered a report by the Executive Director of Resources. The report set out forecast capital expenditure and income for the current financial year at month 3 and compared this with the revised capital budget.
- 2.2 At month three, slippage of £9.7m is forecast against the general fund capital expenditure budget of £268.7m. Capital income is projected to be £149.0m, resulting in a net requirement of £109.9m in loans fund advances.
- 2.3 The Housing Revenue Account (HRA) is reporting a balanced position at month 3
- 2.4 The Finance and Resources Committee agreed:
  - 2.4.1 To note the projected capital outturn position for the general fund and Housing Revenue Account (HRA) at month three.
  - 2.4.2 To note the Council's prudential indicators at month 3.
  - 2.4.3 To note that updated forecasts will be provided at months 5 and 8.
  - 2.4.4 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

### 3. Background Reading/ External References

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Minute of the Finance and Resources Committee of 15 August 2019.

### 4. Appendices

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Appendix 1 – report by the Executive Director of Resources

# Finance and Resources Committee

10am, Thursday, 15 August 2019

## Capital Monitoring 2019/20 – Month Three Position

Executive/routine	
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 To note the projected capital outturn position for the general fund and Housing Revenue Account (HRA) at month three;
- 1.2 To note the Council's prudential indicators at month 3;
- 1.3 To note that updated forecasts will be provided at months 5 and 8; and
- 1.4 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

**Stephen Moir**

Executive Director of Resources

Contact: Rebecca Andrew, Principal Accountant

E-mail: [rebecca.andrew@edinburgh.gov.uk](mailto:rebecca.andrew@edinburgh.gov.uk) | Tel: 0131 469 3211

# Report

## Capital Monitoring 2019/20 – Month Three Position

### 2. Executive Summary

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- 2.1 The report provides capital expenditure and income forecasts for 2019/20, providing explanations for any variances.
- 2.2 At month three, slippage of £9.7m is forecast against the general fund capital expenditure budget of £268.7m. Capital income is projected to be £149.0m, resulting in a net requirement of £109.9m in loans fund advances.
- 2.3 The Housing Revenue Account (HRA) is reporting a balanced position at month 3.

### 3. Background

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- 3.1 The Council set its capital investment programme for the period 2019-24 at its budget meeting of 21 February 2019. This budget has subsequently been revised to reflect slippage from 2018/19 and up to date project cashflows, as reported elsewhere on this agenda.
- 3.2 This report sets out forecast capital expenditure and income for the current financial year at month 3 and compares this with the revised capital budget.

### 4. Main report

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#### General Fund

- 4.1 At month three, general fund expenditure is projected to be £259.0m, compared with a budget of £268.7m, resulting in projected slippage of £9.7m. Grants and other capital income are forecast to be £149.0m, with the remaining expenditure being funded by loans fund advances of £110.0m. A detailed position is provided in Appendix 1.
- 4.2 The slippage forecast at month 3 is a general provision of 5% of the total capital budget, in recognition of the fact that variances against budgets are likely to occur due to delays or unforeseen circumstances out with the Council's control. As the revised budget has been recently realigned to reflect current cash flow assumptions, there are currently no variances against individual project budgets.

However, project budgets and the general provision will be kept under review throughout the year and forecasts will be amended as appropriate.

- 4.3 The forecast includes estimated costs for the Tram to Newhaven project, based on the Final Business Case approved by Council on 14 March 2019. Work currently being undertaken as part of the Early Contractor Involvement will result in more refined cost and programme estimates, which will be reflected in future reports.
- 4.4 Members should also be aware that the value and timing of capital receipts can be impacted by a number of factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any further revisions to the receipts programme will be reported within future capital monitoring reports.

#### **HRA**

- 4.5 The HRA capital investment budget position is shown in Appendix 2 and is forecasting a balanced position at month three. The forecasted gross expenditure at month three is £109.0m, which represents a 35% (£28m) increase on last year's programme, funded by capital receipts and grant income of £49.5m and loans fund advances of £59.5m.
- 4.6 Securing control of sites for new housebuilding and other owners' agreement for mixed tenure improvement work remain as the biggest challenges for programme delivery. Around a quarter of the total capital investment budget (£28.2m) is for strategic sites acquisition for Council's led new housing developments. The Council will continue to monitor and explore opportunities to purchase private sector sites and work with public sector partners to secure more land for development. Almost half of the budget for existing homes and estates (£14.7m) are related to improvement which depends on getting the agreement of owners within blocks. This will be progressed in parallel with the implementation of the Mixed tenure Improvement Strategy.

#### **Prudential Indicators**

- 4.7 The above forecasts are reflected in the Council's prudential indicators, which are set out in Appendix 3.

## **5. Next Steps**

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- 5.1 Finance staff will continue work with project and programme managers to monitor capital budgets. Further capital monitoring reports will be provided to Finance and Resources committee at months five and eight.

## **6. Financial impact**

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- 6.1 The projected 2019/20 general fund outturn outlines loans fund advances of £109.9m. The overall loan charges associated with this over a 20-year period would be a principal amount of £109.9m, interest of £64.2m, resulting in a total cost of £174.1m based on a loans fund interest rate of 4.6%. The loan charges will be

interest only in the first year, at a cost of £2.6m, followed by an annual cost of £8.6m for 20 years.

- 6.2 The projected 2019/20 HRA outturn outlines loans fund advances of £59.5m. The overall loans charges associated with this over a 20-year period would be a principal amount of £59.5m, interest of £34.8m, resulting in a total cost of £94.3m based on a loans fund rate of 4.6%. The loan charges will be interest only in the first year, at a cost of £1.4m followed by an annual cost of £4.6m for 20 years.
- 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 this year's general fund and HRA revenue budgets for loan charges.

## **7. Stakeholder/Community Impact**

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- 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**

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- 8.1 [Capital Investment Programme 2019-20 to 2023-24](#)
- 8.2 [Housing Revenue Account Budget Strategy 2019-24](#)
- 8.3 [Coalition Budget Motion](#)
- 8.4 [Edinburgh Tram – York Place to Newhaven Final Business Case](#)

## **9. Appendices**

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Appendix 1 – Capital Monitoring 2019/20 – General Fund

Appendix 2 – Capital Monitoring 2019/20 – HRA

Appendix 3 – Prudential Indicators 2019/20

## Appendix 1 Capital Monitoring 2019/20

## General Fund Summary

## Period 3

Expenditure	Approved Budget £000	Adjusts £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
						£000	%
Communities and Families	110,193	-48,055	62,138	4,713	62,138	0	0.00%
Edinburgh IJB	239	-122	117	0	117	0	0.00%
Place	141,766	-48,814	92,952	11,360	92,952	0	0.00%
Resources - Asset Management Works	31,498	-4,459	27,039	8,189	27,039	0	0.00%
Resources - Other	11,706	-3,446	8,260	35	8,260	0	0.00%
Tram York Place to Newhaven	0	37,480	37,480	594	37,480	0	0.00%
Lending	18,118	22,556	40,674	6,005	40,674	0	0.00%
Local Development Plan (Unallocated)	6,000	-6,000	0	0	0	0	0.00%
General slippage in programme 5%	0	0	0	0	-9,705	-9,705	n/a
<b>Total Gross Expenditure</b>	<b>319,520</b>	<b>-50,860</b>	<b>268,660</b>	<b>30,896</b>	<b>258,955</b>	<b>-9,705</b>	<b>-3.61%</b>

## Income

<i>Capital Receipts</i>							
General Asset Sales	6,318	0	6,318	170	6,318	0	0.00%
Ringfenced Asset Sales	10,000	0	10,000	0	10,000	0	0.00%
Less Fees Relating to General Receipts	0	0	0	-135	0	0	#DIV/0!
<i>Total Capital Receipts from Asset Sales</i>	<i>16,318</i>	<i>0</i>	<i>16,318</i>	<i>35</i>	<i>16,318</i>	<i>0</i>	<i>0.00%</i>
Drawdown from Capital Fund	6,311	0	6,311	0	6,311	0	0.00%
Developer and other Contributions	585	3,794	4,379	4,179	4,379	0	0.00%
Developers Contributions Transferred to Investments				-2,708	-2,708	-2,708	#DIV/0!
<i>Total Capital Receipts</i>	<i>23,214</i>	<i>3,794</i>	<i>27,008</i>	<i>1,506</i>	<i>24,300</i>	<i>-2,708</i>	<i>-10.03%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	58,675	71	58,746	14,687	58,746	0	0.00%
Cycling, Walking and Safer Streets	834	0	834	16	834	0	0.00%
Management Development Funding	33,877	0	33,877	290	33,877	0	0.00%
Early Years and Childcare - Expansion	14,500	0	14,500	0	14,500	0	0.00%
Other Specific Government Grants	0	3,151	3,151	0	3,151	0	0.00%
Capital Grants Unapplied Account drawdown	11,297	2,310	13,607	0	13,607	0	0.00%
<i>Total Grants</i>	<i>119,183</i>	<i>5,532</i>	<i>124,715</i>	<i>14,993</i>	<i>124,715</i>	<i>0</i>	<i>0.00%</i>
<b>Total Income</b>	<b>142,397</b>	<b>9,326</b>	<b>151,723</b>	<b>16,499</b>	<b>149,015</b>	<b>-2,708</b>	<b>-1.78%</b>

<b>Balance to be funded through Loans Fund Advance</b>	<b>177,123</b>	<b>-60,186</b>	<b>116,937</b>		<b>109,940</b>	<b>-6,997</b>	<b>-5.98%</b>
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## Appendix 2 Capital Monitoring 2019/20

### Housing Revenue Account

#### Period 3

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Core Programme	35,632	3,232	35,632	0	0.0%
House Building	73,322	8,937	73,322	0	0.0%
<b>Total Gross Expenditure</b>	<b>108,954</b>	<b>12,169</b>	<b>108,954</b>	<b>0</b>	<b>0.0%</b>

<b>Income</b>					
Capital Receipts	17,917	0	17,917	0	0.0%
Developers and Other Contributions	23,000	17	23,000	0	0.0%
Specific Capital Grant	8,526	436	8,526	0	0.0%
<b>Total Income</b>	<b>49,443</b>	<b>453</b>	<b>49,443</b>	<b>0</b>	<b>0.0%</b>

<b>Loans Fund Advances</b>					
Loans Fund Advances	59,511		59,511	0	0.0%
<b>Total</b>	<b>59,511</b>		<b>59,511</b>	<b>0</b>	<b>0.0%</b>

### Appendix 3 Capital Monitoring 2019/20

#### Prudential Indicators 2019/20 - Period 3

##### Indicator 1 - Estimate of Capital Expenditure

	2018/19 Actual £000	2019/20 Estimate £000	2019/20 Forecast £000	2020/21 Estimate £000	2020/21 Forecast £000	2021/22 Estimate £000	2021/22 Forecast £000	2022/23 Estimate £000	2022/23 Forecast £000	2023/24 Estimate £000	2023/24 Forecast £000
Council Wide / Corporate Projects	26	0	0	0	0	0	0	0	0	0	0
Contingency - Meadowbank Stadium	0	0	0	0	0	0	0	0	0	7,000	7,000
Lending	23,152	40,674	40,674	71,080	71,080	55,104	55,104	76,692	76,692	22,266	22,266
Communities and Families	28,431	62,138	62,138	96,617	96,617	1,707	1,707	165	165	165	165
Edinburgh Integration Joint Board	138	117	117	5,000	5,000	5,000	5,000	0	0	0	0
Place	109,572	92,562	92,562	159,302	159,302	29,963	29,963	36,785	36,785	19,835	19,835
Resources	2,652	8,260	8,260	5,000	5,000	0	0	0	0	0	0
Resources - Asset Management Works	21,770	27,039	27,039	30,000	30,000	25,516	25,516	20,450	20,450	14,000	14,000
Trams	0	37,870	37,870	74,318	74,318	58,004	58,004	29,731	29,731	0	0
General slippage / acceleration across programme (5%)	0		-9,705		-8,570		12,266		1,653		2,657
Total General Services	185,741	268,660	258,955	441,317	432,747	175,294	187,560	163,823	165,476	63,266	65,923
Housing Revenue Account		108,954	108,954	142,251	142,251	177,531	177,531	171,392	171,392	273,984	273,984
Total	185,741	377,614	367,909	583,568	574,998	352,825	365,091	335,215	336,868	337,250	339,907

The 'estimate' figures relate to those reported as part of the revised Capital Investment Programmes reported elsewhere on this agenda incorporating the final slippage and realignment after the outturn for 2018/19. Differences between these and the 'forecast' figures relate to slippage or acceleration in the programmes for the General Fund and HRA detailed in Appendices 1 and 2.

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

##### Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2018/19 Actual %	2019/20 Estimate %	2019/20 Forecast %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
General Services	11.38	10.58	10.44	10.72	10.44	10.39	n/a
Housing Revenue Account	39.98	41.64	42.08	44.64	46.96	49.41	50.89

Figures for 2019/20 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the current long term financial plan that ends in 2022/23. HRA figures are based on the current business plan.

**Indicator 3 - Capital Financing Requirement**

	2018/19 Actual £000	2019/20 Estimate £000	2019/20 Forecast £000	2020/21 Estimate £000	2020/21 Forecast £000	2021/22 Estimate £000	2021/22 Forecast £000	2022/23 Estimate £000	2022/23 Forecast £000	2023/24 Estimate £000	2023/24 Forecast £000
General Services (including finance leases)	1,079,328	1,204,762	1,195,057	1,427,511	1,409,236	1,435,184	1,429,175	1,407,995	1,403,639	1,330,486	1,328,786
Edinburgh Living LLP	2,734	26,862	26,741	89,178	89,009	143,004	142,835	217,650	217,481	236,784	236,615
NHT LLPs	87,143	103,651	103,651	107,693	107,693	107,693	107,693	107,693	107,693	107,693	107,693
Housing Revenue Account	377,454	415,351	415,351	415,678	415,678	479,677	479,677	526,588	526,588	675,321	675,321
<b>Total</b>	<b>1,546,659</b>	<b>1,750,626</b>	<b>1,740,800</b>	<b>2,040,060</b>	<b>2,021,616</b>	<b>2,165,558</b>	<b>2,159,380</b>	<b>2,259,926</b>	<b>2,255,400</b>	<b>2,350,283</b>	<b>2,348,414</b>

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

**Indicator 4 - Authorised Limit for External Debt**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Borrowing	1,877,414	2,042,775	2,144,136	2,161,368	2,229,864
Credit Arrangements	362,049	348,696	334,889	321,642	308,395
<b>Total</b>	<b>2,239,463</b>	<b>2,391,471</b>	<b>2,479,025</b>	<b>2,483,010</b>	<b>2,538,259</b>

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

**Indicator 5 - Operational Boundary for External Debt**

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	1,590,928	1,810,979	1,945,178	2,039,102	2,129,863
Other Long-Term Liabilities	362,049	348,696	334,889	321,642	308,395
<b>Total</b>	<b>1,952,977</b>	<b>2,159,675</b>	<b>2,280,067</b>	<b>2,360,744</b>	<b>2,438,258</b>

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

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

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans Fund Pooled Interest Rate 4.6251%					
General Fund Services (excluding Lending)					
Loans Fund Advances in year					
Year 1 - interest only					
Year 2 - principal and interest					
Housing Revenue Account (HRA)					
Loans Fund Advances in year (excluding borrowing for LLP programme **)					
Year 1 - interest only					
Year 2 - Core Programme - principal and interest					
Year 2 - House Building Programme - principal and interest					

Figures to follow

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