

# City of Edinburgh Council

10.05am, Thursday, 28 September 2023

## 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy – referral from the Finance and Resources Committee

Executive/routine

Wards

Council Commitments

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy to the Council for approval of the Revised Capital Budget Strategy.

**Dr Deborah Smart**

Executive Director of Corporate Services

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# Referral Report

## 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy – referral from the Finance and Resources Committee

### 2. Terms of Referral

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- 2.1 On 21 September 2023, the Finance and Resources Committee considered the capital expenditure and funding outturns for 2022-23, providing explanations for key variances, together with the revised capital budget strategy for 2023-33 after factoring in slippage from 2022-23, additional funding and updated cash flow projections from month 3 monitoring.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note the 2022-23 capital outturn for the Council's General Fund and Housing Revenue Account (HRA), set out in Appendices 1 and 2 to the report by the Executive Director of Corporate Services.
  - 2.2.2 To note the Revised Capital Budget for the financial year 2023-33, as set out in Appendices 3 and 4 to the report, for the General Fund and the HRA respectively.
  - 2.2.3 To note the Council's Prudential Indicators for the Revised Budget 2023-24, as set out in Appendix 5 to the report.
  - 2.2.4 To refer the report to Full Council for approval of the Revised Capital Budget Strategy.
  - 2.2.5 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

### 3. Background Reading/ External References

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- 3.1 Finance and Resources Committee – 21 September 2023 - Webcast
- 3.2 Minute of the Finance and Resources Committee – 21 September 2023

### 4. Appendices

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Appendix 1 – Report by the Executive Director of Corporate Services

# Finance and Resources Committee

10.00am, Thursday, 21<sup>st</sup> September 2023

## 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy

Executive/routine  
Wards

Executive  
All

### 1. Recommendations

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- 1.1 To note the 2022-23 capital outturn for the Council's General Fund and Housing Revenue Account (HRA), set out in Appendices 1 and 2;
- 1.2 To note the Revised Capital Budget for the financial year 2023-33, as set out in Appendices 3 and 4 for the General Fund and the HRA respectively;
- 1.3 To note the Council's Prudential Indicators for the Revised Budget 2023-24, as set out in Appendix 5.
- 1.4 To refer the report to Full Council for approval of the Revised Capital Budget Strategy
- 1.5 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

#### Dr Deborah Smart

Executive Director of Corporate Services

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# Report

## 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-24 Capital Budget Strategy

### 2. Executive Summary

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- 2.1 The report provides capital expenditure and funding outturns for 2022-23, providing explanations for key variances. It also provides the revised capital budget strategy for 2023-33 after factoring in slippage from 2022-23, additional funding and updated cash flow projections from month 3 monitoring.

### 3. Background

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- 3.1 In February 2022, the council set out priorities for its 10-year [Sustainable Capital Budget Strategy 2022-2032](#) totalling £1,459.874m of expenditure for general services and £2,934.365m for the [Housing Revenue Account \(HRA\) Budget Strategy \(2022-32\)](#). This budget was then revised on 8<sup>th</sup> September 2022 with realignments between financial years to take account of slippage from the previous financial year and reflect the most up to date cash flow position available. The Outturn provided in this report is measured against the revised budget.
- 3.2 In February 2023, the council approved the [Sustainable Capital Budget Strategy 2023-33](#) which prioritised £1,474.517m of capital expenditure for general services. 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. It is this capital investment programme that has been revised in this report to account for slippage from 2022-23, additional funding and latest cash flow projections from the month 3 position.
- 3.3 In March 2023, the council approved the [HRA Budget Strategy 2023-33](#) setting out plans for investment of £1,714.493m 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.

### 4. Main report

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#### 2022-23 Capital Outturn

#### General Fund

- 4.1 The General Fund outturn shows expenditure of £287.722m against the revised budget of £284.097m, a net acceleration of £3.625m (1.28%). A breakdown is provided in Appendix 1 with the drivers being;
- 4.1.1 The Fleet Programme (£4.672m) which is facing long lead times on vehicles, with additional funding also having been received;
  - 4.1.2 The Depot Review (£4.205m) suffering from construction delays;
  - 4.1.3 Asset Management Works (£8.105m) having seen delays, with the Retrofit programme starting in 2023-24 and the work on Portobello Swimming Pool on hold pending a funding solution for an increase in anticipated costs; and
  - 4.1.4 Other Community Projects (£3.360m) such as Pennywell Hub (£1.244m), Hunters Hall Cycle Hub (£0.868m) and Properties for House Share (£0.891m) suffering programme delays and redesign requirements;
  - 4.1.5 Acceleration in North Bridge Refurbishment (-£3.540m) which has seen an increase in costs. The project remains within its revised budget.
  - 4.1.6 Roads infrastructure, including Carriageways and Footways acceleration (-£2.869m), where the delivery of the programme was better than anticipated at the P3 budget revision when £4.791m was slipped into future years.
- 4.2 General Fund income totalled £173.013m, resulting in Loans Fund Advances of £114.709m. This was £0.062m (0.05%) more than the revised budget.

#### **Housing Revenue Account**

- 4.3 HRA outturn shows expenditure of £121.335m against revised budget of £118.755m, acceleration of £2.580m (2.2%). A breakdown is provided in Appendix 2.
- 4.3.1 Small slippages totalling £4.982m across the house building programme were offset by the purchase of 23 completed homes at Dreghorn for £6.002m. Further acceleration related to Land purchases was also required for a contribution to Granton Station before it transferred to the General Fund and to cover the increase in cost of the Liberton Hospital land purchase.
  - 4.3.2 The improvements to existing homes programme saw slippage of £7.367m (11.9%) offset by the Acquisitions programme acceleration of £6.161m.
- 4.4 HRA Income totalled £74.558m, which was £38.133m more than budget, primarily due to the timing of the receipt of Scottish Government Grants. This resulted in a net requirement of £46.777m in Loans Fund Advances, £35.552m less than budget.

#### **Revised Sustainable Capital Budget Strategy 2023-2033**

- 4.5 The [Sustainable Capital Budget Strategy 2023-33](#) for the General Fund was approved by Council on 23<sup>rd</sup> February 2023 and was based on an interim budget estimating slippage and acceleration. This sets out a fully funded investment programme of £1,474.517m, in line with the Council Business Plan.

- 4.6 The Revised Sustainable Capital Budget Strategy 2023-2033 has been adjusted to reflect actual levels of slippage and acceleration and is shown in Appendix 3. It has also been realigned and re-phased to ensure that individual project cash flows reflect the most up to date projections, taking into account the current challenging economic climate.
- 4.7 Members should note that where funding has not been approved or where the amount or timing is still to be confirmed, projects or associated expenditure are not included in the revised Sustainable Capital Budget Strategy. This includes projects funded by capital receipts, grants or contributions yet to be secured.
- 4.8 A further update on the Sustainable Capital Budget Strategy will be brought to Finance and Resources Committee in November 2023. This report will look ahead to 2024-25 Budget Setting, with a focus on addressing emerging pressures and priorities against a backdrop of continuing funding constraint.
- 4.9 The [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#) was agreed by the Housing, Homelessness and Fari Work Committee on 9th March 2023. This sets out £1,714.493m of investment in new affordable housing and improvements to existing homes over the 10 year period.
- 4.10 The HRA budget has been revised to incorporate the most up to date cash flow projections and is shown in appendix 4.
- 4.11 Three New Homes developments due on site in 2023/24 are being reviewed in response to higher-than-expected tender returns. Any alteration to design work will be monitored closely to ensure that the expected quality is achieved while bringing costs with Business Plan assumptions. This focus on cost management is expected to result in significant slippage in the programme.
- 4.12 Slippage in the Improvements to Council Homes and Estates budget is due to a delay in procurement for the windows and doors programme which has now completed, the expansion of scope for the retrofit programme for multi-storey blocks, and some significant contractor underperformance leading to suspension. Planning is underway to incorporate this slippage into the 24/25 programme.

### **2023-24 Capital Monitoring – Month 3**

- 4.13 Capital monitoring for the first quarter of 2023-24 for the General Fund and HRA is set out in Appendices 6 and 7 respectively. As this report revises budgets to take account of latest expenditure and income forecasts, no variances are currently projected.

## **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 Resource Committee at month five, month seven and month 12 showing the position against the revised 2023-24 capital budget.
- 5.4 A further report on the 2024-25 to 2033-34 Sustainable Capital Budget will be brought to Finance and Resources Committee on 21<sup>st</sup> November 2023.

## 6. Financial impact

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- 6.1 The estimated loans charges associated with 2022-23 outturn, 2023-24 budget and 2023-24 forecast set out in this report are detailed in the table below:

	<b>Loans Fund Advance</b>	<b>Interest and Charges</b>	<b>Total Cost</b>	<b>Average Annual Cost (30 years)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Outturn 2022-23</b>				
General Fund	114.709	85.816	200.525	6.684
HRA	46.777	35.802	82.579	2.753
<b>Revised Budget Forecast 2023-24</b>				
General Fund	51.546	38.562	90.108	3.004
HRA	68.864	52.706	121.571	4.052

- 6.2 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.3 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.
- 6.4 The Council's Prudential Indicators for the Revised Budget 2023-24 are set out in Appendix 5.

## 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 Key findings show that, for the expected expenditure for 2023-33
- 59 % of the total investment (£ 875 m) is in line with the Council's climate ambition (labelled as either "favourable under conditions", or "very favourable")
  - 33 % is considered as neutral
  - 4 % is unfavourable
  - 4 % 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 [Sustainable Capital Budget Strategy 2022-2032](#). Referral from Finance and Resources Committee, 24 February 2022
- 10.2 [Housing Revenue Account \(HRA\) Budget Strategy \(2022-32\)](#). Referral from Finance and Resources Committee, 24 February 2022
- 10.3 [Sustainable Capital Budget Strategy 2023-2033](#). Finance and Resources Committee, 10 November 2022
- 10.4 [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#). Referral from Finance and Resources Committee, 23 February 2023
- 10.5 [Approved Sustainable Capital Budget Strategy 2023-33](#). Referral from Finance and Resources Committee, 14 March 2023
- 10.6 [Capital Strategy 2023-33 – Annual Report](#). Referral from Finance and Resources Committee, 16 March 2023

## 11. Appendices

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- 11.1 Appendix 1 – 2022-23 Capital Monitoring Month 12 Outturn – General Fund
- 11.2 Appendix 2 – 2022-23 Capital Monitoring Month 12 Outturn – HRA
- 11.3 Appendix 3 – 2023-33 Revised Sustainable Capital Budget Strategy
- 11.4 Appendix 4 – 2023-33 Revised HRA Capital Budget Strategy
- 11.5 Appendix 5 – 2023-24 Revised Budget Prudential Indicators
- 11.6 Appendix 6 – 2023-24 Capital Monitoring Month Three – General Fund
- 11.7 Appendix 7 – 2023-24 Capital Monitoring Month Three – HRA

## Appendix 1 - 2022-23 Capital Monitoring

### General Fund Summary

#### Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Learning Estate	31.645	13.680	45.325	46.465	1.140	2.51%
Edinburgh Living LLPs	16.972	12.057	29.029	27.400	-1.629	-5.61%
Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
Asset Management Works	29.425	-10.823	18.602	10.497	-8.105	-43.57%
Transport & Infrastructure	48.436	14.617	63.053	65.393	2.340	3.71%
Place - Other	56.547	27.897	84.444	77.257	-7.187	-8.51%
Corporate Services	0.807	0.881	1.688	2.304	0.615	36.46%
Edinburgh Health and Social Care Partnership	0.000	1.576	1.576	1.297	-0.279	-17.68%
Other Community	1.395	5.656	7.051	3.691	-3.360	-47.65%
Contingency	0.000	0.324	0.324	0.000	-0.324	-100.00%
Slippage Assumption	-21.694	0.000	-21.694	0.000	21.694	-100.00%
<b>Total Gross Expenditure</b>	<b>203.036</b>	<b>81.061</b>	<b>284.097</b>	<b>287.722</b>	<b>3.625</b>	<b>1.28%</b>
<b>Funding</b>	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Revised Budget</b>	<b>Actual Outturn</b>	<b>Outturn Variance</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<i>Capital Receipts</i>						
General Asset Sales	3.000	1.037	4.037	9.117	5.080	125.85%
Other Capital Contributions (Edinburgh Living)	0.000	9.000	9.000	9.000	0.000	0.00%
Developers Contributions Applied	0.000	2.193	2.193	2.193	0.000	0.00%
Capital from Current Revenue	0.000	2.678	2.678	2.767	0.089	3.32%
<i>Total Capital Receipts from Asset Sales and Revenue</i>	<b>3.000</b>	<b>14.909</b>	<b>17.909</b>	<b>23.078</b>	<b>5.169</b>	<b>28.87%</b>
<i>Drawdown from/ (to) Capital Fund</i>	0.000	0.000	0.000	0.000	0.000	0.00%
<b>Total Capital Receipts and Contributions</b>	<b>3.000</b>	<b>14.909</b>	<b>17.909</b>	<b>23.078</b>	<b>5.169</b>	<b>28.87%</b>
<i>Grants</i>						
General Capital Grant	40.221	12.250	52.471	52.471	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	0.000	-9.700	-9.700	-9.700	0.000	0.00%
Capital Grants Unapplied Account	0.000	17.905	17.905	17.905	0.000	0.00%
Specific Capital Grants - TMDF	45.182	10.000	55.182	55.182	0.000	0.00%
Specific Capital Grants - CWSS	2.310	0.195	2.505	2.505	0.000	0.00%
Specific Capital Grants - Place Based Investment Programm	1.735	0.006	1.741	1.741	0.000	0.00%
Specific Grants - Other	0.000	31.436	31.436	29.831	-1.606	-5.11%
<b>Total Grants</b>	<b>89.448</b>	<b>62.092</b>	<b>151.540</b>	<b>149.935</b>	<b>-1.606</b>	<b>-1.06%</b>
<b>Total Funding</b>	<b>92.448</b>	<b>77.001</b>	<b>169.449</b>	<b>173.013</b>	<b>3.564</b>	<b>2.10%</b>
<i>Borrowing</i>						
New Prudential Borrowing in Year	9.340	10.791	20.131	10.539	-9.592	-47.65%
New On-Lending in Year	16.972	3.057	20.029	18.400	-1.629	-8.13%
New Capital Advance - Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
New Capital Advance - General Fund	44.773	-24.985	19.788	32.351	12.564	63.49%
<b>Balance to be funded through Loans Fund Advance</b>	<b>110.588</b>	<b>4.060</b>	<b>114.648</b>	<b>114.709</b>	<b>0.062</b>	<b>0.05%</b>

## Appendix 2 - 2022-23 Capital Monitoring

### Housing Revenue Account

#### Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Council Housebuilding Programme	43.332	-5.608	37.724	38.745	1.021	2.7%
Council Housebuilding Programme - Land Improvement to Council Homes and Estates	16.800	-2.456	14.344	17.109	2.766	19.3%
	66.687	0.000	66.687	65.481	-1.206	-1.8%
<b>Total Gross Expenditure</b>	<b>126.819</b>	<b>-8.064</b>	<b>118.755</b>	<b>121.335</b>	<b>2.580</b>	<b>2.2%</b>

  

Income	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	-2.456	20.844	21.742	0.898	4.3%
Energy (HEEP:ABS) grant funding	5.000	0.000	5.000	3.993	-1.007	-20.1%
Developer contribution/market sales	0.000	0.000	0.000	5.490	5.490	N/A
Receipts from LLPs	6.444	0.000	6.444	9.646	3.202	49.7%
Scottish Government Subsidy (Social and Acquisition)	4.137	0.000	4.137	33.687	29.550	714.3%
<b>Total Income</b>	<b>38.881</b>	<b>-2.456</b>	<b>36.425</b>	<b>74.558</b>	<b>38.133</b>	<b>104.7%</b>

  

<b>Balance to be funded through Loans Fund Advance</b>	<b>87.938</b>	<b>-5.608</b>	<b>82.330</b>	<b>46.777</b>	<b>-35.552</b>	<b>-43.18%</b>
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**Appendix 4 : 2023-33 Revised HRA Capital Budget**

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

Programme Heading	1	1	1	2	3	4	5	5 Year	6 to 10	10 Year
	Approved Budget 2023/24	Re-profile to/from Later Years 2023-24	Revised Budget 2023/24	2024/25	2025/26	2026/27	2027/28	Total	2028/29 to 2032/33	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
New Homes Development	99.027	-41.276	57.751	150.475	127.123	149.064	137.969	622.382	317.983	940.365
New Home Land Costs	2.064	0.840	2.904	2.160	0.000	4.875	4.875	14.814	5.000	19.814
Tenant's Homes & Services (20-yr borrowing)	12.567	-1.413	11.153	14.082	12.885	14.621	14.399	67.139	68.110	135.250
External Fabric and Estates (30-yr borrowing)	59.704	-6.714	52.990	71.786	62.241	64.151	63.487	314.655	304.410	619.065
<b>Total Expenditure</b>	<b>173.361</b>	<b>-48.563</b>	<b>124.798</b>	<b>238.504</b>	<b>202.249</b>	<b>232.711</b>	<b>220.729</b>	<b>1,018.990</b>	<b>695.503</b>	<b>1,714.493</b>
Prudential Borrowing	61.681	7.183	68.864	100.207	45.137	70.986	110.480	395.675	309.737	705.412
Capital Funded From Revenue	23.300	0.000	23.300	18.300	18.300	18.300	18.300	96.500	106.300	202.800
Capital Receipts and Contributions	14.520	-6.820	7.700	29.967	23.862	45.096	41.697	148.322	167.521	315.844
Receipts from LLPs	45.809	-31.059	14.750	54.600	87.948	60.838	33.026	251.163	26.175	277.338
Scottish Government Subsidy (Social)	26.131	-16.907	9.224	33.510	26.042	36.530	16.265	121.570	80.970	202.540
Scottish Government Subsidy (Acquisition)	1.920	-0.960	0.960	1.920	0.960	0.960	0.960	5.760	4.800	10.560
<b>Total Funding</b>	<b>173.361</b>	<b>-48.563</b>	<b>124.798</b>	<b>238.504</b>	<b>202.249</b>	<b>232.711</b>	<b>220.729</b>	<b>1,018.990</b>	<b>695.503</b>	<b>1,714.493</b>

## Appendix 5 - 2023/24 Budget Prudential Indicators

### Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2022-23 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
<b>Rolled Forward Capital Investment Programme</b>						
Learning Estate	46,465	60,102	136,132	133,883	52,237	10,233
Asset Management Works	10,497	9,875	35,677	41,635	26,071	16,000
Transport and Infrastructure	65,393	57,536	42,600	31,680	25,633	25,043
Place - Other Projects	77,257	67,348	70,506	50,775	29,200	29,200
Corporate Services	2,304	1,427	7,446	669	678	615
Edinburgh Health and Social Care Partnership	1,297	0	279	0	0	0
Other Community (inc Libraries and Sports Centres)	3,691	3,061	2,528	165	165	165
Trams to Newhaven	53,419	12,281	0	0	0	0
Edinburgh Living LLPs	27,400	13,764	70,500	92,071	10,804	0
Contingency	0	0	324	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	-16,000	-30,998	5,775	14,880	11,601
<b>Total General Services Capital Expenditure</b>	<b>287,722</b>	<b>209,395</b>	<b>334,996</b>	<b>361,651</b>	<b>164,668</b>	<b>97,857</b>

The Place - Trams to Newhaven figures include capitalised interest following a change in accounting policy approved by Finance and Resources Committee on 21 January 2021. Note that the 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
<b>Rolled Forward Capital Investment Programme</b>						
Housing Revenue Account	121,335	124,798	238,504	202,249	232,711	220,729

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

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2022-23 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	%	%	%	%	%	%
General Services	7.2%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	33.9%	31.0%	32.2%	34.8%	36.2%	36.9%

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

### Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2023 are:

	Capital Financing Requirement					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
General Services (including Finance Leases / Right of Use Assets)	1,596	1,575	1,681	1,788	1,798	1,752
Housing Revenue Account (HRA)	423	471	550	571	617	700
NHT LLPs	44	32	24	15	0	0
Edinburgh Living LLPs	59	72	142	232	240	237
<b>Total Capital Financing Requirement</b>	<b>2,122</b>	<b>2,151</b>	<b>2,397</b>	<b>2,606</b>	<b>2,655</b>	<b>2,689</b>

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

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances. Exit strategies are still to be finalised for the remaining three LLPs, however five have now repaid their loans in full.

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

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

	Gross Debt and the Capital Financing Requirement					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
Gross Debt	1,879	1,910	2,023	2,079	2,087	2,094
Capital Financing Requirements	2,122	2,151	2,397	2,606	2,655	2,689
<b>(Over) / under limit by:</b>	<b>243</b>	<b>241</b>	<b>374</b>	<b>527</b>	<b>568</b>	<b>596</b>

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

From 2022/2023, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. This will subsequently have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. The capital financing requirement has been adjusted by £51m for 'Right of Use Assets' under IFRS16. This will similarly have an impact on the authorised limit and operational boundary for external debt.

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

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated authority to the Service Director for Finance and Procurement, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	Authorised Limit for External Debt					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,900	2,093	2,435	2,784	2,912	2,964
Credit Arrangements (including leases and Right of Use assets)	423	405	394	384	377	372
<b>Authorised Limit for External Debt</b>	<b>2,323</b>	<b>2,498</b>	<b>2,828</b>	<b>3,168</b>	<b>3,289</b>	<b>3,336</b>

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

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

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

	Operational Boundary for External Debt					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,850	2,043	2,385	2,734	2,862	2,914
Credit Arrangements (including leases)	423	405	394	384	377	372
<b>Operational Boundary for External Debt</b>	<b>2,273</b>	<b>2,448</b>	<b>2,778</b>	<b>3,118</b>	<b>3,239</b>	<b>3,286</b>

The Council's actual external debt at 31 March 2023 was £1,870m (including sums repayable within 12 months).

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

The authority can set its own local indicators to measure the affordability of its capital investment plans. The Service Director for Finance and Procurement considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2023-24 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	42,890	35,501	172,616	177,141	82,670	26,663
Year 1 - Interest Only	858	710	3,452	3,543	1,653	533
Year 2 - Interest and Principal Repayment	3,145	2,603	12,658	12,990	6,062	1,955
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	46,777	68,864	100,207	45,137	70,986	110,480
Year 1 - Interest Only	994	1,463	2,129	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,988	2,927	4,259	1,918	3,017	4,695

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

#### Consideration of options for the capital programme

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

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

## Appendix 6 - 2023-24 Capital Monitoring

### General Fund Summary

#### Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Learning Estate	90.403	-30.301	60.102	13.424	60.102	0.000	0.00%
Edinburgh Living LLPs	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
Trams to Newhaven	3.507	8.774	12.281	8.816	12.281	0.000	0.00%
Asset Management Works	1.689	8.186	9.875	0.900	9.875	0.000	0.00%
Transport & Infrastructure	69.438	-11.902	57.536	17.231	57.536	0.000	0.00%
Place - Other	49.392	17.957	67.348	6.750	67.348	0.000	0.00%
Corporate Services	4.091	-2.664	1.427	0.367	1.427	0.000	0.00%
Edinburgh Health and Social Care Partnership	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Other Community	2.065	0.996	3.061	0.938	3.061	0.000	0.00%
Contingency	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Slippage Assumption	-31.233	15.233	-16.000	0.000	-16.000	0.000	0.00%
<b>Total Gross Expenditure</b>	<b>251.764</b>	<b>-42.369</b>	<b>209.395</b>	<b>50.938</b>	<b>209.395</b>	<b>0.000</b>	<b>0.00%</b>

  

Funding	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>							
General Asset Sales	7.000	0.000	7.000	1.080	7.000	0.000	0.00%
Capital from Current Revenue	0.000	0.778	0.778	0.000	0.778	0.000	0.00%
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Developers Contributions Applied	6.369	10.000	16.369	0.012	16.369	0.000	0.00%
<i>Total Capital Receipts from Asset Sales</i>	<i>13.369</i>	<i>10.778</i>	<i>24.147</i>	<i>1.092</i>	<i>24.147</i>	<i>0.000</i>	<i>0.00%</i>
<i>Drawdown from/ (to) Capital Fund</i>	<i>27.650</i>	<i>0.000</i>	<i>27.650</i>	<i>0.000</i>	<i>27.650</i>	<i>0.000</i>	<i>0.00%</i>
<b>Total Capital Receipts and Contributions</b>	<b>41.019</b>	<b>10.778</b>	<b>51.797</b>	<b>1.092</b>	<b>51.797</b>	<b>0.000</b>	<b>0.00%</b>
<i>Grants</i>							
General Capital Grant	53.382	0.000	53.382	12.149	53.382	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.000	-9.709	0.000	-9.709	0.000	0.00%
Capital Grants Unapplied Account	0.000	12.312	12.312	0.000	12.312	0.000	0.00%
Specific Capital Grants - TMDF	27.950	17.103	45.053	0.000	45.053	0.000	0.00%
Specific Capital Grants - CWSS	2.299	0.000	2.299	-1.563	2.299	0.000	0.00%
Specific Capital Grants - Place Based Investment Programme	1.209	0.000	1.209	0.000	1.209	0.000	0.00%
Specific Grants - Other	0.000	1.506	1.506	-3.371	1.506	0.000	0.00%
<b>Total Grants</b>	<b>75.131</b>	<b>30.921</b>	<b>106.052</b>	<b>7.215</b>	<b>106.052</b>	<b>0.000</b>	<b>0.00%</b>
<b>Total Funding</b>	<b>116.150</b>	<b>41.699</b>	<b>157.849</b>	<b>8.307</b>	<b>157.849</b>	<b>0.000</b>	<b>0.00%</b>
<i>Borrowing</i>							
New Prudential Borrowing in Year	13.012	2.691	15.703	0.000	15.703	0.000	0.00%
New On-Lending in Year	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
New Capital Advance - Trams to Newhaven	3.507	-1.226	2.281	8.816	2.281	0.000	0.00%
New Capital Advance - General Fund	56.682	-36.884	19.798	31.304	19.798	0.000	0.00%
<b>Balance to be funded through Loans Fund Advance</b>	<b>135.614</b>	<b>-84.068</b>	<b>51.546</b>	<b>42.631</b>	<b>51.546</b>	<b>0.000</b>	<b>0.00%</b>

## Appendix 7 - 2023-24 Capital Monitoring

### Housing Revenue Account

#### Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
New Homes Development	99.027	-41.276	57.751	11.787	57.751	0.000	0.0%
New Homes Land Costs	2.064	0.840	2.904	0.046	2.904	0.000	0.0%
Improvement to Council Homes and Estates	72.271	-8.127	64.143	6.458	64.143	0.000	0.0%
<b>Total Gross Expenditure</b>	<b>173.361</b>	<b>-48.563</b>	<b>124.798</b>	<b>18.292</b>	<b>124.798</b>	<b>0.000</b>	<b>0.0%</b>
Income	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	0.000	23.300	0.000	23.300	0.000	0.0%
Energy (HEEP:ABS) grant funding	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Developer contribution/market sales	14.520	-6.820	7.700	0.051	7.700	0.000	0.0%
Receipts from LLPs*	45.809	-31.059	14.750	4.750	14.750	0.000	0.0%
Scottish Government Subsidy (Social and Acquisition)	28.051	-17.867	10.184	0.000	10.184	0.000	0.0%
<b>Total Income</b>	<b>111.680</b>	<b>-55.746</b>	<b>55.934</b>	<b>4.801</b>	<b>55.934</b>	<b>0.000</b>	<b>0.0%</b>
<b>Balance to be funded through Loans Fund Advance</b>	<b>61.681</b>	<b>7.183</b>	<b>68.864</b>	<b>13.491</b>	<b>68.864</b>	<b>0.000</b>	<b>0%</b>

## Appendix 1 - 2022-23 Capital Monitoring

### General Fund Summary

#### Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Learning Estate	31.645	13.680	45.325	46.465	1.140	2.51%
Edinburgh Living LLPs	16.972	12.057	29.029	27.400	-1.629	-5.61%
Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
Asset Management Works	29.425	-10.823	18.602	10.497	-8.105	-43.57%
Transport & Infrastructure	48.436	14.617	63.053	65.393	2.340	3.71%
Place - Other	56.547	27.897	84.444	77.257	-7.187	-8.51%
Corporate Services	0.807	0.881	1.688	2.304	0.615	36.46%
Edinburgh Health and Social Care Partnership	0.000	1.576	1.576	1.297	-0.279	-17.68%
Other Community	1.395	5.656	7.051	3.691	-3.360	-47.65%
Contingency	0.000	0.324	0.324	0.000	-0.324	-100.00%
Slippage Assumption	-21.694	0.000	-21.694	0.000	21.694	-100.00%
<b>Total Gross Expenditure</b>	<b>203.036</b>	<b>81.061</b>	<b>284.097</b>	<b>287.722</b>	<b>3.625</b>	<b>1.28%</b>

  

Funding	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>						
General Asset Sales	3.000	1.037	4.037	9.117	5.080	125.85%
Other Capital Contributions (Edinburgh Living)	0.000	9.000	9.000	9.000	0.000	0.00%
Developers Contributions Applied	0.000	2.193	2.193	2.193	0.000	0.00%
Capital from Current Revenue	0.000	2.678	2.678	2.767	0.089	3.32%
<i>Total Capital Receipts from Asset Sales and Revenue</i>	<b>3.000</b>	<b>14.909</b>	<b>17.909</b>	<b>23.078</b>	<b>5.169</b>	<b>28.87%</b>
<i>Drawdown from/ (to) Capital Fund</i>	0.000	0.000	0.000	0.000	0.000	0.00%
<b>Total Capital Receipts and Contributions</b>	<b>3.000</b>	<b>14.909</b>	<b>17.909</b>	<b>23.078</b>	<b>5.169</b>	<b>28.87%</b>
<i>Grants</i>						
General Capital Grant	40.221	12.250	52.471	52.471	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	0.000	-9.700	-9.700	-9.700	0.000	0.00%
Capital Grants Unapplied Account	0.000	17.905	17.905	17.905	0.000	0.00%
Specific Capital Grants - TMDF	45.182	10.000	55.182	55.182	0.000	0.00%
Specific Capital Grants - CWSS	2.310	0.195	2.505	2.505	0.000	0.00%
Specific Capital Grants - Place Based Investment Programm	1.735	0.006	1.741	1.741	0.000	0.00%
Specific Grants - Other	0.000	31.436	31.436	29.831	-1.606	-5.11%
<b>Total Grants</b>	<b>89.448</b>	<b>62.092</b>	<b>151.540</b>	<b>149.935</b>	<b>-1.606</b>	<b>-1.06%</b>
<b>Total Funding</b>	<b>92.448</b>	<b>77.001</b>	<b>169.449</b>	<b>173.013</b>	<b>3.564</b>	<b>2.10%</b>
<i>Borrowing</i>						
New Prudential Borrowing in Year	9.340	10.791	20.131	10.539	-9.592	-47.65%
New On-Lending in Year	16.972	3.057	20.029	18.400	-1.629	-8.13%
New Capital Advance - Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
New Capital Advance - General Fund	44.773	-24.985	19.788	32.351	12.564	63.49%
<b>Balance to be funded through Loans Fund Advance</b>	<b>110.588</b>	<b>4.060</b>	<b>114.648</b>	<b>114.709</b>	<b>0.062</b>	<b>0.05%</b>

## Appendix 2 - 2022-23 Capital Monitoring

### Housing Revenue Account

#### Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Council Housebuilding Programme	43.332	-5.608	37.724	38.745	1.021	2.7%
Council Housebuilding Programme - Land Improvement to Council Homes and Estates	16.800	-2.456	14.344	17.109	2.766	19.3%
	66.687	0.000	66.687	65.481	-1.206	-1.8%
<b>Total Gross Expenditure</b>	<b>126.819</b>	<b>-8.064</b>	<b>118.755</b>	<b>121.335</b>	<b>2.580</b>	<b>2.2%</b>

  

Income	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	-2.456	20.844	21.742	0.898	4.3%
Energy (HEEP:ABS) grant funding	5.000	0.000	5.000	3.993	-1.007	-20.1%
Developer contribution/market sales	0.000	0.000	0.000	5.490	5.490	N/A
Receipts from LLPs	6.444	0.000	6.444	9.646	3.202	49.7%
Scottish Government Subsidy (Social and Acquisition)	4.137	0.000	4.137	33.687	29.550	714.3%
<b>Total Income</b>	<b>38.881</b>	<b>-2.456</b>	<b>36.425</b>	<b>74.558</b>	<b>38.133</b>	<b>104.7%</b>

  

<b>Balance to be funded through Loans Fund Advance</b>	<b>87.938</b>	<b>-5.608</b>	<b>82.330</b>	<b>46.777</b>	<b>-35.552</b>	<b>-43.18%</b>
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**Appendix 4 : 2023-33 Revised HRA Capital Budget**

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

Programme Heading	1	1	1	2	3	4	5	5 Year	6 to 10	10 Year
	Approved Budget 2023/24	Re-profile to/from Later Years 2023-24	Revised Budget 2023/24	2024/25	2025/26	2026/27	2027/28	Total	2028/29 to 2032/33	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
New Homes Development	99.027	-41.276	57.751	150.475	127.123	149.064	137.969	622.382	317.983	940.365
New Home Land Costs	2.064	0.840	2.904	2.160	0.000	4.875	4.875	14.814	5.000	19.814
Tenant's Homes & Services (20-yr borrowing)	12.567	-1.413	11.153	14.082	12.885	14.621	14.399	67.139	68.110	135.250
External Fabric and Estates (30-yr borrowing)	59.704	-6.714	52.990	71.786	62.241	64.151	63.487	314.655	304.410	619.065
<b>Total Expenditure</b>	<b>173.361</b>	<b>-48.563</b>	<b>124.798</b>	<b>238.504</b>	<b>202.249</b>	<b>232.711</b>	<b>220.729</b>	<b>1,018.990</b>	<b>695.503</b>	<b>1,714.493</b>
Prudential Borrowing	61.681	7.183	68.864	100.207	45.137	70.986	110.480	395.675	309.737	705.412
Capital Funded From Revenue	23.300	0.000	23.300	18.300	18.300	18.300	18.300	96.500	106.300	202.800
Capital Receipts and Contributions	14.520	-6.820	7.700	29.967	23.862	45.096	41.697	148.322	167.521	315.844
Receipts from LLPs	45.809	-31.059	14.750	54.600	87.948	60.838	33.026	251.163	26.175	277.338
Scottish Government Subsidy (Social)	26.131	-16.907	9.224	33.510	26.042	36.530	16.265	121.570	80.970	202.540
Scottish Government Subsidy (Acquisition)	1.920	-0.960	0.960	1.920	0.960	0.960	0.960	5.760	4.800	10.560
<b>Total Funding</b>	<b>173.361</b>	<b>-48.563</b>	<b>124.798</b>	<b>238.504</b>	<b>202.249</b>	<b>232.711</b>	<b>220.729</b>	<b>1,018.990</b>	<b>695.503</b>	<b>1,714.493</b>

## Appendix 5 - 2023/24 Budget Prudential Indicators

### Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2022-23 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
<b>Rolled Forward Capital Investment Programme</b>						
Learning Estate	46,465	60,102	136,132	133,883	52,237	10,233
Asset Management Works	10,497	9,875	35,677	41,635	26,071	16,000
Transport and Infrastructure	65,393	57,536	42,600	31,680	25,633	25,043
Place - Other Projects	77,257	67,348	70,506	50,775	29,200	29,200
Corporate Services	2,304	1,427	7,446	669	678	615
Edinburgh Health and Social Care Partnership	1,297	0	279	0	0	0
Other Community (inc Libraries and Sports Centres)	3,691	3,061	2,528	165	165	165
Trams to Newhaven	53,419	12,281	0	0	0	0
Edinburgh Living LLPs	27,400	13,764	70,500	92,071	10,804	0
Contingency	0	0	324	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	-16,000	-30,998	5,775	14,880	11,601
<b>Total General Services Capital Expenditure</b>	<b>287,722</b>	<b>209,395</b>	<b>334,996</b>	<b>361,651</b>	<b>164,668</b>	<b>97,857</b>

The Place - Trams to Newhaven figures include capitalised interest following a change in accounting policy approved by Finance and Resources Committee on 21 January 2021. Note that the 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
<b>Rolled Forward Capital Investment Programme</b>						
Housing Revenue Account	121,335	124,798	238,504	202,249	232,711	220,729

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

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2022-23 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	%	%	%	%	%	%
General Services	7.2%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	33.9%	31.0%	32.2%	34.8%	36.2%	36.9%

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

### Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2023 are:

	Capital Financing Requirement					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
General Services (including Finance Leases / Right of Use Assets)	1,596	1,575	1,681	1,788	1,798	1,752
Housing Revenue Account (HRA)	423	471	550	571	617	700
NHT LLPs	44	32	24	15	0	0
Edinburgh Living LLPs	59	72	142	232	240	237
<b>Total Capital Financing Requirement</b>	<b>2,122</b>	<b>2,151</b>	<b>2,397</b>	<b>2,606</b>	<b>2,655</b>	<b>2,689</b>

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

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances. Exit strategies are still to be finalised for the remaining three LLPs, however five have now repaid their loans in full.

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

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

	Gross Debt and the Capital Financing Requirement					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
Gross Debt	1,879	1,910	2,023	2,079	2,087	2,094
Capital Financing Requirements	2,122	2,151	2,397	2,606	2,655	2,689
<b>(Over) / under limit by:</b>	<b>243</b>	<b>241</b>	<b>374</b>	<b>527</b>	<b>568</b>	<b>596</b>

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

From 2022/2023, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. This will subsequently have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. The capital financing requirement has been adjusted by £51m for 'Right of Use Assets' under IFRS16. This will similarly have an impact on the authorised limit and operational boundary for external debt.

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

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated authority to the Service Director for Finance and Procurement, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	Authorised Limit for External Debt					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,900	2,093	2,435	2,784	2,912	2,964
Credit Arrangements (including leases and Right of Use assets)	423	405	394	384	377	372
<b>Authorised Limit for External Debt</b>	<b>2,323</b>	<b>2,498</b>	<b>2,828</b>	<b>3,168</b>	<b>3,289</b>	<b>3,336</b>

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

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

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

	Operational Boundary for External Debt					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,850	2,043	2,385	2,734	2,862	2,914
Credit Arrangements (including leases)	423	405	394	384	377	372
<b>Operational Boundary for External Debt</b>	<b>2,273</b>	<b>2,448</b>	<b>2,778</b>	<b>3,118</b>	<b>3,239</b>	<b>3,286</b>

The Council's actual external debt at 31 March 2023 was £1,870m (including sums repayable within 12 months).

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

The authority can set its own local indicators to measure the affordability of its capital investment plans. The Service Director for Finance and Procurement considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2023-24 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	42,890	35,501	172,616	177,141	82,670	26,663
Year 1 - Interest Only	858	710	3,452	3,543	1,653	533
Year 2 - Interest and Principal Repayment	3,145	2,603	12,658	12,990	6,062	1,955
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	46,777	68,864	100,207	45,137	70,986	110,480
Year 1 - Interest Only	994	1,463	2,129	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,988	2,927	4,259	1,918	3,017	4,695

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

#### Consideration of options for the capital programme

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

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

## Appendix 6 - 2023-24 Capital Monitoring

### General Fund Summary

#### Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Learning Estate	90.403	-30.301	60.102	13.424	60.102	0.000	0.00%
Edinburgh Living LLPs	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
Trams to Newhaven	3.507	8.774	12.281	8.816	12.281	0.000	0.00%
Asset Management Works	1.689	8.186	9.875	0.900	9.875	0.000	0.00%
Transport & Infrastructure	69.438	-11.902	57.536	17.231	57.536	0.000	0.00%
Place - Other	49.392	17.957	67.348	6.750	67.348	0.000	0.00%
Corporate Services	4.091	-2.664	1.427	0.367	1.427	0.000	0.00%
Edinburgh Health and Social Care Partnership	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Other Community	2.065	0.996	3.061	0.938	3.061	0.000	0.00%
Contingency	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Slippage Assumption	-31.233	15.233	-16.000	0.000	-16.000	0.000	0.00%
<b>Total Gross Expenditure</b>	<b>251.764</b>	<b>-42.369</b>	<b>209.395</b>	<b>50.938</b>	<b>209.395</b>	<b>0.000</b>	<b>0.00%</b>

  

Funding	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>							
General Asset Sales	7.000	0.000	7.000	1.080	7.000	0.000	0.00%
Capital from Current Revenue	0.000	0.778	0.778	0.000	0.778	0.000	0.00%
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Developers Contributions Applied	6.369	10.000	16.369	0.012	16.369	0.000	0.00%
<i>Total Capital Receipts from Asset Sales</i>	<i>13.369</i>	<i>10.778</i>	<i>24.147</i>	<i>1.092</i>	<i>24.147</i>	<i>0.000</i>	<i>0.00%</i>
<i>Drawdown from/ (to) Capital Fund</i>	<i>27.650</i>	<i>0.000</i>	<i>27.650</i>	<i>0.000</i>	<i>27.650</i>	<i>0.000</i>	<i>0.00%</i>
<b>Total Capital Receipts and Contributions</b>	<b>41.019</b>	<b>10.778</b>	<b>51.797</b>	<b>1.092</b>	<b>51.797</b>	<b>0.000</b>	<b>0.00%</b>
<i>Grants</i>							
General Capital Grant	53.382	0.000	53.382	12.149	53.382	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.000	-9.709	0.000	-9.709	0.000	0.00%
Capital Grants Unapplied Account	0.000	12.312	12.312	0.000	12.312	0.000	0.00%
Specific Capital Grants - TMDF	27.950	17.103	45.053	0.000	45.053	0.000	0.00%
Specific Capital Grants - CWSS	2.299	0.000	2.299	-1.563	2.299	0.000	0.00%
Specific Capital Grants - Place Based Investment Programme	1.209	0.000	1.209	0.000	1.209	0.000	0.00%
Specific Grants - Other	0.000	1.506	1.506	-3.371	1.506	0.000	0.00%
<b>Total Grants</b>	<b>75.131</b>	<b>30.921</b>	<b>106.052</b>	<b>7.215</b>	<b>106.052</b>	<b>0.000</b>	<b>0.00%</b>
<b>Total Funding</b>	<b>116.150</b>	<b>41.699</b>	<b>157.849</b>	<b>8.307</b>	<b>157.849</b>	<b>0.000</b>	<b>0.00%</b>
<i>Borrowing</i>							
New Prudential Borrowing in Year	13.012	2.691	15.703	0.000	15.703	0.000	0.00%
New On-Lending in Year	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
New Capital Advance - Trams to Newhaven	3.507	-1.226	2.281	8.816	2.281	0.000	0.00%
New Capital Advance - General Fund	56.682	-36.884	19.798	31.304	19.798	0.000	0.00%
<b>Balance to be funded through Loans Fund Advance</b>	<b>135.614</b>	<b>-84.068</b>	<b>51.546</b>	<b>42.631</b>	<b>51.546</b>	<b>0.000</b>	<b>0.00%</b>

## Appendix 7 - 2023-24 Capital Monitoring

### Housing Revenue Account

#### Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
New Homes Development	99.027	-41.276	57.751	11.787	57.751	0.000	0.0%
New Homes Land Costs	2.064	0.840	2.904	0.046	2.904	0.000	0.0%
Improvement to Council Homes and Estates	72.271	-8.127	64.143	6.458	64.143	0.000	0.0%
<b>Total Gross Expenditure</b>	<b>173.361</b>	<b>-48.563</b>	<b>124.798</b>	<b>18.292</b>	<b>124.798</b>	<b>0.000</b>	<b>0.0%</b>
Income	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	0.000	23.300	0.000	23.300	0.000	0.0%
Energy (HEEP:ABS) grant funding	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Developer contribution/market sales	14.520	-6.820	7.700	0.051	7.700	0.000	0.0%
Receipts from LLPs*	45.809	-31.059	14.750	4.750	14.750	0.000	0.0%
Scottish Government Subsidy (Social and Acquisition)	28.051	-17.867	10.184	0.000	10.184	0.000	0.0%
<b>Total Income</b>	<b>111.680</b>	<b>-55.746</b>	<b>55.934</b>	<b>4.801</b>	<b>55.934</b>	<b>0.000</b>	<b>0.0%</b>
<b>Balance to be funded through Loans Fund Advance</b>	<b>61.681</b>	<b>7.183</b>	<b>68.864</b>	<b>13.491</b>	<b>68.864</b>	<b>0.000</b>	<b>0%</b>