

Capital Monitoring 2011-12 – Half-Year Position

Finance and Resources Committee

1 November 2011

1 Purpose of report

- 1.1 To advise Finance and Resources Committee on the capital expenditure monitoring position at the half-year position (based on month five data) and the projected outturn for the year.

2 Summary

- 2.1 The position at month five is summarised in the table below, while further details can be seen in Appendix 1.

	Outturn Variance at Month Five £000	Outturn Variance at Month Three £000	Movement from Month Three £000
Net slippage in expenditure	(21,241)	(2,675)	(18,566)
Net shortfall in capital receipts/grant income	12,251	6,087	6,164
Net increase / (Decrease) in borrowing requirement	(8,990)	3,412	(12,402)
Under programming per revised budget	(15,140)	(15,140)	0
Prudential borrowing supported by departments carried forward	2,309	0	2,309
Net increase/(decrease) from above	(8,990)	3,412	(12,402)
Projected under-programming	(21,821)	(11,728)	(10,093)

3 Main Report

- 3.1 At month five, the following net slippage has been projected by departments. Further details can be seen in Appendix 1, while details of accelerated and slipped projects can be seen in Appendix 2.

	Month Five Projected Variance £000	Month Three Projected Variance £000	Movement from Month Three £000
Expenditure			
Children and Families	(8,152)	1,011	(9,163)
City Development	(3,058)	0	(3,058)
Corporate Services	366	362	4
Council Wide / Corporate Projects	(3,504)	(1,635)	(1,869)
Finance	(144)	(144)	0
Health and Social Care	(2,310)	(536)	(1,774)
Services for Communities	(4,439)	(1,733)	(2,706)
Total expenditure variance	<u>(21,241)</u>	<u>(2,675)</u>	<u>(18,566)</u>

- 3.2 As detailed in the table at 2.1 above, at month five, £21.241m of slippage on expenditure is projected by departments (a further £18.566m projected slippage compared to month three) against a figure of £12.251m for net shortfall in capital receipts/grant income (further shortfall in projected income of £6.164m compared to month three). Of the £21.241m slippage projected, £2.309m relates to prudential projects supported by departments. The result of these movements is a projected net decrease in borrowing of £6.681m.
- 3.3 The budgeted under-programming of £15.140m together with the net decrease of £6.681m identified in 3.2 above have resulted in revised under-programming of £21.821m (an increase of £10.093m compared to month three).
- 3.4 The following explains the significant slippage and acceleration reported by departments.
- 3.5 **Children and Families:** Expenditure increases of £1.341m have been identified. £1.030m is attributable to a carry forward position relating to a PPP2 contribution. This was previously anticipated to be met from the proceeds realised through the transfer of land relating to the former Craigroyston High School site to Service for Communities Department, in order to further the housing strategy in this area. Due to changes in the planning densities and tenure mix it is no longer anticipated that this receipt will be realised and at present, this remains a pressure within the current programme.

3.6 Further pressures relate to Nursery Improvement Works (accelerated position of £0.110m) and demolition works on Oaklands Special School (accelerated position of £0.175m) that require to be funded from future receipts. Boroughmuir New Wave 3 High School reports an accelerated position of £0.026m which relates to fees that are not budgeted until 2014-15.

3.7 This is offset by slippage of £9.493m which is attributable to:-

- Portobello New Wave 3 High School (slippage of £8m) due to a delay in awarding the contract;
- Towerbank Primary School (slippage of £0.447m) which is delayed pending planning permission;
- James Gillespie's New Wave 3 High School (slippage of £0.222m) which now reflects the level of fees to be spent in this financial year;
- Duncan Place Community Centre (slippage of £0.387m) which is on hold until a decision is made over the use of the property;
- Corstorphine Primary School (slippage of £0.418m) which now reflects a more realistic cash flow projection;
- New Waterfront Primary School (slippage of £0.019m) which is currently on hold indefinitely.

3.8 **City Development:**

The main areas of slippage are:

- The Water of Leith Phase 1 Flood Prevention project is projected to slip by £1.866m due to the contractor falling behind on the programme of works. It is not anticipated that this delay in works will be covered over the winter months and as a result, further slippage may be reported.
- The Public Realm works at St Andrew Square cannot be progressed until the tram works within the vicinity are complete resulting in slippage of £1m.

3.9 **Corporate Services:** The accelerated position of £0.366m primarily relates to accelerated works on Usher Hall – Phase 2.

3.10 **Council Wide / Corporate Projects:**

The main areas of capital slippage are:

- The Waverley Rail Project has been slipped in full (slippage of £1.635m).
- The EICC Additional Function Space and Office Building is projecting slippage of £1.869m due to a seven week delay in construction relating to completion of substructure concrete work. This delay is expected to be managed within the overall works timetable and the project is still forecast to be delivered on time and budget.

3.11 Finance:

The slippage of £0.144m relates to monies earmarked for Revenues and Benefits ICT investment. This expenditure has been delayed due to the timescale for reaching a decision on the Alternative Business Model project.

3.12 Health and Social Care:

The main areas of capital slippage are:

- The Foxtots and Older People Day service projects are unlikely to begin until 2012-13 resulting in slippage respectively of £0.750m and £0.244m.
- Disability Services is still at the planning stage so expenditure is projected to slip by £1.190m.

3.13 Services for Communities:

The main areas of capital slippage are:

- The Private Sector Housing Grant Scheme (slippage of £1.923m) is unlikely to incur expenditure in 2011-12. The project has been slipped in full although a small amount of expenditure may occur for in-year capital planning for new projects and initiatives.
- The Grants to Registered Social Landlords resource is projected to slip by £1.764m. These resources are earmarked for the planning of Affordable Housing initiatives and will be allocated when new projects are brought online. New projects are currently being assessed but it is unlikely that any projects will start this financial year. Any new expenditure is likely to occur in financial year 2012-13.
- Mortonhall Crematorium Mercury Abatement (slippage of £0.440m) reflects a more realistic cash flow projection based on external consultants' fees.
- Depots Refurbishment and Cemeteries (slippage respectively of £0.126m and £0.110m) are a result of revised cash flow projections.
- Drumbrae Library (slippage of £0.105m) represents a contingency that may be required following a review of change requests on the project. The library is still forecast to be delivered on time and budget with the opening scheduled for January 2012.

3.14 **Capital Receipts/Grant Income**

A review of capital receipts from asset sales undertaken by the Director of City Development estimates that net receipts of £4.869m will be realised in 2011-12, compared to a budget of £17.120m resulting in a receipts shortfall of £12.251m (an increase in shortfall of receipts/grant income of £6.164m since month three). This increase in shortfall is as a result of a number of receipts that were due to be realised in 2011-12 now slipping to future years. The receipts affected include Buckstone Grove, Gracemount Stable Block, Dr Bells Swimming Pool, Redhall House Drive, 432 Lanark Road, Oaklands Special School and City Park.

Prudential Indicators

- 3.15 The prudential indicator monitoring at month five is shown in Appendix 3. As can be seen, Indicator 4 – Authorised Limit for External Debt and Indicator 5 – Operational Boundary for External Debt require to be increased.
- 3.16 The capital financing requirements shown in Indicator 3 have now been revised to include the additional borrowing required to complete the trams project as approved by Council in a report presented on 2 September 2011. As a result, the additional borrowing required over the next four years means that the Council must increase both its Authorised Limit for External Debt and Operational Boundary for External Debt.

3.17 **Housing Revenue Account**

The Housing Revenue Account (HRA) is forecasting slippage of £3m, as shown in Appendix 4. At month five, the forecast is gross expenditure of £45.250m, capital receipts of £4.8m and prudential borrowing of £40.450m. Members should note that this slippage represents an over-programming allowance that has been built into the HRA budget which will be managed back during the financial year.

4 Financial Implications

- 4.1 The loan charges arising from the expenditure plans shown in this report can be contained within this year's revenue budget for loan charges, due to the level of slippage in 2010-11.

5 Equalities Impact

- 5.1 There is no relationship between the matters described in this report and the public sector general equality duty.
- 5.2 There are no equalities implications arising from this report.

6 Environmental Impact

- 6.1 There are no adverse environmental impacts arising from this report

7 Conclusions

- 7.1 The month five position shows an under-borrowing forecast of £21.821m. This is based on budgeted under-programming of £15.140m and a decrease in borrowing requirement reported of £6.681m.
- 7.2 The capital programme continues to be affected by the general economic climate, particularly in relation to the realisation of receipts, which underpin the financing of the programme.
- 7.3 The loan charges arising from the expenditure plans shown in this report can be contained within the revenue budget for loan charges.

8 Recommendations

- 8.1 Finance and Resources Committee is requested to:
- a) Note the projected capital outturn positions on the General Fund and HRA at month five;
 - b) Note that Council approved the revisions to Prudential Indicators including the increase required to the Authorised Limit for External Debt and the Operational Boundary for External Debt as a consequence of future borrowing required for the tram project at its meeting on 2 September 2011; and
 - c) Note that the Director of City Development is closely monitoring the capital receipts position.

Karen Kelly
Acting Director of Finance

Appendices	<ol style="list-style-type: none">1. Capital Monitoring 2011-12– General Fund2. Departmental slippage per projects 2011-123. Prudential Indicators 2011-124. Capital Monitoring 2011-12– HRA
Contact/tel/Email	Sat Patel: 0131 469 3185 email: satyam.patel@edinburgh.gov.uk
Wards affected	All
Single Outcome Agreement	1,4,7,9,10,12,15
Background Papers	Departmental monitoring statements

Capital Monitoring 2011/12

Summary

Period 5

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000 %	
Children and Families	25,827	717	26,544	3,824	18,392	(8,152)	-30.71%
City Development	37,478	6,956	44,434	13,535	41,376	(3,058)	-6.88%
City Development - Asset Management	11,896	(1,870)	10,026	485	10,026	-	0.00%
Corporate Services	22,448	147	22,595	7,096	22,961	366	1.62%
Finance	144	-	144	-	-	(144)	-100.00%
Health and Social Care	6,296	810	7,106	1,030	4,796	(2,310)	-32.51%
Services for Communities	66,616	755	67,371	28,983	62,932	(4,439)	-6.59%
Council Wide / Corporate Projects	37,526	-	37,526	4,128	34,022	(3,504)	-9.34%
Total Gross Expenditure	208,231	7,515	215,746	59,081	194,505	(21,241)	-9.85%

Resources

<i>Capital Receipts</i>							
General Services	6,272	-	6,272	346	4,444	(1,828)	-29.15%
Ringfenced Asset Sales	10,848	-	10,848	-	600	(10,248)	-94.47%
Less Fess Relating to Receipts	-	-	-	(15)	(175)	(175)	n/a
<i>Total Capital Receipts from Asset Sales</i>	<i>17,120</i>	<i>-</i>	<i>17,120</i>	<i>331</i>	<i>4,869</i>	<i>(12,251)</i>	<i>-71.56%</i>
Developer and other Contributions	627	4,631	5,258	5,258	5,258	-	0.00%
<i>Total Capital Receipts</i>	<i>17,747</i>	<i>4,631</i>	<i>22,378</i>	<i>5,589</i>	<i>10,127</i>	<i>(12,251)</i>	<i>-54.75%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	46,749	-	46,749	19,479	46,749	-	0.00%
Cycling, Walking and Safer Streets	686	-	686	-	686	-	0.00%
Management Development Funding	29,610	-	29,610	15,986	29,610	-	0.00%
<i>Total Grants</i>	<i>77,045</i>	<i>-</i>	<i>77,045</i>	<i>35,465</i>	<i>77,045</i>	<i>-</i>	<i>0.00%</i>
Total Resources	94,792	4,631	99,423	41,054	87,172	(12,251)	-12.32%

Balance to be Funded	113,439	2,884	116,323	18,027	107,333	(8,990)	-7.73%
-----------------------------	----------------	--------------	----------------	---------------	----------------	----------------	---------------

Borrowing

Supported Borrowing	21,274	-	21,274		21,274	-	0.00%
Supported Borrowing by Departments	107,305	2,884	110,189		107,880	(2,309)	-2.10%
Total Supported Borrowing	128,579	2,884	131,463		129,154	(2,309)	-1.76%
Additional Borrowing Requirement	(15,140)	-	(15,140)		(21,821)	(6,681)	44.13%
Total	113,439	2,884	116,323		107,333	(8,990)	-7.73%

CAPITAL MONITORING 2011-12 - PERIOD 5**Slippage and Acceleration on Projects**

Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

	Period 5	Period 3	Movement
	£000	£000	between
			periods
			£000
<u>Children and Families</u>			
Portobello New Wave 3 High School	-8,000	0	-8,000
Towerbank Primary School	-447	0	-447
Corstorphine Primary School	-418	0	-418
Duncan Place Community Centre	-387	0	-387
James Gillespie's New Wave 3 High School	-222	0	-222
New Waterfront Primary School	-19	-19	0
<i>Accelerated Projects</i>			
Boroughmuir New Wave 3 High School	26	0	26
<i>Awaiting realisation of receipt/extra funding</i>			
Nursery Improvement works	110	0	110
Oaklands Special School	175	0	175
Craigroyston	1,030	1,030	0
Total Children and Families	-8,152	1,011	-9,163
<u>City Development</u>			
Flood Prevention - Water of Leith Phase 1	-1,866	0	-1,866
Public Realm - Streetscape St Andrew Square	-1,000	0	-1,000
City Dressing Programme	-200	0	-200
Hawes Pier	3	0	3
Lower Granton Road Realignment	5	0	5
Total City Development	-3,058	0	-3,058
<u>Corporate Services</u>			
Other Projects	-44	-44	0
Usher Hall - Phase 2	379	379	0
<i>Underpinned by receipt that will not be realised until a future year</i>			
Leith Waterworld Disposal	11	7	4
City Park Disposal	20	20	0
Total Corporate Services	366	362	4
<u>Council Wide/Corporate Projects</u>			
EICC - AFS and Office Building	-1,869	0	-1,869
Waverley Rail Project	-1,635	-1,635	0
Total Council Wide/Corporate Projects	-3,504	-1,635	-1,869
<u>Finance</u>			
Core Infrastructure Improvements	-144	-144	0
Total Finance	-144	-144	0
<u>Health and Social Care</u>			
Disability Services	-1,190	-317	-873
Foxtots	-750	0	-750

Older People Day Services	-244	0	-244
Property Fabric Renewal	-147	48	-195
Care Homes	7	-274	281
Adult Training Centres	14	7	7
Total Health and Social Care	<u>-2,310</u>	<u>-536</u>	<u>-1,774</u>
<u>Services for Communities</u>			
Private Sector Housing Grant Scheme	-1,923	0	-1,923
Grants to Registered Social Landlords	-1,764	-1,764	0
Mortonhall Crematorium - Mercury Abatement	-440	0	-440
Depots Refurbishment	-126	0	-126
Cemeteries	-110	0	-110
Drumbrae Library	-105	0	-105
Libraries for You	0	31	-31
Other Projects	29	0	29
Total Services for Communities	<u>-4,439</u>	<u>-1,733</u>	<u>-2,706</u>
Total for all Departments	<u>-21,241</u>	<u>-2,675</u>	<u>-18,566</u>

Indicator 1 - Estimate of Capital Expenditure

	2010/11	2011/12	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children & Families	13,126	29,941	23,407	49,156	56,080	28,075	27,361	24,876	24,876
City Development	23,368	30,028	42,572	31,988	33,046	14,977	14,977	2,750	2,750
City Development-Trams	127,937	0	0	0	0	0	0	0	0
Corporate Services	20,081	10,737	23,661	3,965	3,599	2,065	2,065	165	165
Health & Social Care	7,547	6,550	5,616	9,824	12,134	856	856	0	0
Services for Communities	64,077	68,730	65,227	19,200	23,812	16,600	16,600	15,069	15,069
Other Capital Projects	7,020	27,935	34,022	29,309	28,344	2,501	5,259	0	0
Unallocated Asset Management Funding	0	0	0	0	0	0	0	16,500	16,500
Total General Services	263,156	173,921	194,505	143,442	157,015	65,074	67,118	59,360	59,360
Housing Revenue Account	37,718	48,250	45,250	38,774	38,774	40,058	40,058	40,379	40,379
Total	300,874	222,171	239,755	182,216	195,789	105,132	107,176	99,739	99,739

(Excludes trams for 2011/12 onwards)

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2010/11	2011/12	2011/12	2012/13	2013/14
	Actual	Estimate	Forecast	Estimate	Estimate
	%	%	%	%	%
General Services	9.85	10.78	10.75	10.79	10.75
Housing Revenue Account	36.46	37.91	37.20	39.22	40.36

Indicator 3 - Capital Financing Requirement

	2010/11	2011/12	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Services	856,545	902,398	1,022,248	941,095	1,150,317	942,239	1,166,118	926,442	1,175,081
Housing Revenue Account	327,963	362,839	352,856	379,691	369,708	396,095	386,112	411,155	401,172
Finance Leases	227,556	217,522	218,124	209,497	209,488	201,137	200,960	194,140	193,966
Total	1,412,064	1,482,759	1,593,228	1,530,283	1,729,513	1,539,471	1,753,190	1,531,737	1,770,219

Forecasts include the capital financing requirement relating to PFI assets and Trams project

Indicator 4 - Authorised Limit for External Debt

	2011/12 Estimate £000	2011/12 Rev Estimate £000	2012/13 Estimate £000	2012/13 Rev Estimate £000	2013/14 Estimate £000	2013/14 Rev Estimate £000
Borrowing	1,484,622	1,714,238	1,462,364	1,743,745	1,480,037	1,736,419
Other Long-Term Liabilities	217,522	218,124	209,497	209,488	201,137	200,960
Total	<u>1,702,144</u>	<u>1,932,362</u>	<u>1,671,861</u>	<u>1,953,233</u>	<u>1,681,174</u>	<u>1,937,379</u>

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

Indicator 5 - Operational Boundary for External Debt

	2011/12 Estimate £000	2011/12 Rev Estimate £000	2012/13 Estimate £000	2012/13 Rev Estimate £000	2013/14 Estimate £000	2013/14 Rev Estimate £000
Borrowing	1,344,171	1,460,138	1,394,788	1,582,127	1,405,037	1,634,653
Other Long-Term Liabilities	217,522	218,124	209,497	209,488	201,137	200,960
Total	<u>1,561,693</u>	<u>1,678,262</u>	<u>1,604,285</u>	<u>1,791,615</u>	<u>1,606,174</u>	<u>1,835,613</u>

Revised Estimated Other Long-Term Liabilities includes finance lease repayments for PFI assets

Indicator 6 - Impact on Council Tax and House Rents

	2011/12 Estimate £	2011/12 Forecast £	2012/13 Estimate £	2012/13 Forecast £	2013/14 Estimate £	2013/14 Forecast £
for the band "D" Council Tax	3.51	7.61	11.17	26.48	13.02	32.67
for the average weekly housing rents	0.42	0.32	1.35	1.04	1.62	1.30

General Fund forecasts include slippage and budget realignments resulting in increases to Band "D" Council Tax figures.

Indicator 7 - Net External Borrowing and the Capital Financing Requirement

	2010/11 Actual £000	2011/12 Estimate £000	2011/12 Forecast £000	2012/13 Estimate £000	2012/13 Forecast £000	2013/14 Estimate £000	2013/14 Forecast £000	2014/15 Estimate £000	2014/15 Forecast £000
Net External Borrowing	1,036,851	1,147,977	1,218,015	1,195,501	1,354,300	1,204,689	1,377,977	1,196,955	1,395,006
Capital Financing Requirement	1,412,064	1,482,759	1,593,228	1,530,283	1,729,513	1,539,471	1,753,190	1,531,737	1,770,219
Under Limit By:	<u>375,213</u>	<u>334,782</u>	<u>375,213</u>	<u>334,782</u>	<u>375,213</u>	<u>334,782</u>	<u>375,213</u>	<u>334,782</u>	<u>375,213</u>

Net External Borrowing does not include PFI Finance Lease liabilities but Capital Financing Requirement includes advances and repayments relating to PFI assets. As a result the comparison of Net External Borrowing against Capital Financing Requirement results in a large variance. This anomaly will be rectified once the Prudential Code is updated to change the definition from Net External Borrowing to Net External Debt thus allowing PFI Finance Lease Liabilities to be included.

CAPITAL MONITORING 2011/12**Period 5****HOUSING REVENUE ACCOUNT**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	48,250	14,752	45,250	-3,000	-6.2%
Total Gross Expenditure	48,250	14,752	45,250	-3,000	-6.2%

Resources					
Capital Receipts	-4,000	-1,252	-4,000	0	0.0%
Other Capital Receipts	-850	-575	-800	50	0.0%
Total Resources	-4,850	-1,827	-4,800	50	-1.0%

Borrowing					
Borrowing	43,400	12,925	40,450	-2,950	-6.8%
Total	43,400	12,925	40,450	-2,950	-6.8%

Note: £3m Overprogramming allowance has been built in to the programming and will be managed back during the financial year.