

Capital Monitoring 2012/13 – Month Four Position

Finance and Resources Committee

25 September 2012

1 Purpose of report

- 1.1 This report sets out the overall position of the Council's capital budget at the four month position and the projected outturn for the year.

2 Main Report

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

	Outturn Variance at Month Four £000	Outturn Variance at Month Two £000	Movement from Month Two £000
Net slippage in gross expenditure	(17,110)	0	(17,110)
Net surplus in capital receipts / grant income	(4,246)	(6,234)	1,988
Net increase / (decrease) in borrowing requirement	(21,356)	(6,234)	(15,122)
Prudential borrowing supported by service areas carried forward	124	0	124
Reduction in corporate borrowing	(21,232)	(6,234)	(14,998)

- 2.2 As detailed in the table at 2.1 above, the month four position reports £17.110m of slippage on gross expenditure on projects, compared to a £nil variance at month two. At month two, capital receipts were expected to exceed the budgeted level by £6.234m. This has now reduced to an excess of £4.246m at month four. The net effect of the variances projected at month four is a reduction of £21.232m in the amount that the Council requires to borrow corporately to support its capital programme.

- 2.3 The month four position shows that the Council is now projecting to borrow £89.800m and will be in receipt of grants and capital income amounting to £85.070m. Together this will fund projected capital investment of £174.870m. The level of borrowing is projected to be £13.909m, less than budget, excluding planned over-programming. Over the four year period of the capital programme, capital receipts are forecast to match the budget.
- 2.4 Explanations for significant slippage and accelerations projected at month four are shown in Appendix 2.
- 2.5 The original projections for 2012/13 included £8.759m in the Children and Families Programme in respect of the project to deliver a new Portobello High School. Delivery of this project within the timescales which were assumed in arriving at the original projection was dependent on the outcome of the ongoing legal challenge. In light of the recent appeal judgement; whilst options for the way forward are still being assessed, a delay to the project is inevitable and the projected expenditure for 2012/13 has therefore been reduced to £1m to cover costs incurred to date and allow provision for any further costs which may arise this year. This has led to slippage of £7.759m on the Portobello High School Project in 2012/13. The delivery of the new Portobello High School does, however, remain a priority and the funding will remain in the Children and Families Programme in later years.
- 2.6 Members are asked to note that the Corporate Asset Management Group has been instructed to undertake a thorough review of the capital programme with a view to accelerating projects from 2013/14 into the current year to make better use of the resources available to the Councils. The outcome of this review will be included in the next report to Committee.
- 2.7 Members are advised that, in addition to the above instruction to the Corporate Asset Management Group to review the capital programme, organisational changes are being made within Finance to address monitoring processes. Officers who work on capital monitoring (except the Housing programme) are being centralised within the Corporate Accounts Team in Finance and the entire process will be the subject of an internal review to identify best practice and ensure this is rolled out across the programme.
- 2.8 Officers will work with colleagues from other directorates to minimise slippage within the overall programme, although it should be recognised that the opportunity for improvements to the process will be limited this year, due to the timing of these changes.

Capital Receipts/Grant Income

- 2.9 A review of capital receipts from asset sales undertaken by colleagues within Services for Communities estimates that net receipts of £7.757m will be realised in 2012/13, compared to a budget of £3.511m resulting in a receipts surplus of £4.246m (a reduction of £1.988m from the position reported at month two). The reduction from the month two figure relates to a revised estimate of receipt for one property and revised settlement dates for other properties. The receipts affected include Hamilton Place, Lanark Road and Stanley Place.

Prudential Indicators

- 2.10 The prudential indicator monitoring at month four is shown in Appendix 3.

Housing Revenue Account

- 2.11 The Housing Revenue Account is forecasting to balance to budget as shown in Appendix 4. At month four, the forecast is gross expenditure of £46.984m, capital receipts / grant income of £14.548m and prudential borrowing of £32.436m.

3 Financial Implications

- 3.1 The loan charges arising from the expenditure plans shown in this report can be contained within this year's revenue budget for loan charges.

4 Equalities Impact

- 4.1 The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Family establishments and capital expenditure on Council housing stock.
- 4.2 There is little contribution with regard to capital expenditure and the duty to eliminate unlawful discrimination, harassment or victimisation.

5 Environmental Impact

- 5.1 There are no adverse environmental impacts arising from this report.

6 Recommendations

- 6.1 The Finance and Resources Committee is requested to:
- a) Note the projected capital outturn positions on the General Fund and HRA at month four;
 - b) Note the prudential indicators at month four;
 - c) Note that the Corporate Asset Management Group has been instructed to undertake a thorough review of the capital programme with a view to accelerating projects from 2013/14 into the current year and that the outcome of this review will be included in the next report to Committee;
 - d) Note that the Director of Services for Communities is closely monitoring the capital receipts position;

- e) Note the changes being made to the financial monitoring process;
- f) Refer the report to the Audit Committee as part of its work-plan.

Alastair D Maclean
Director of Corporate Governance

Appendices	<ol style="list-style-type: none">1. Capital Monitoring 2012/13– General Fund2. Slippage on capital projects 2012/133. Prudential Indicators 2012/134. Capital Monitoring 2012/13– 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 2012/13

General Fund Summary

Period 4

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	%
Children and Families	27,991	166	28,157	1,644	20,298	(7,859)	-27.91%
City Development-Economic Development	55	-	55	-	55	-	0.00%
Corporate Governance	7,606	230	7,836	4,267	7,635	(201)	-2.57%
Health and Social Care	10,046	4,869	14,915	2,500	14,886	(29)	-0.19%
Services for Communities	81,718	7,347	89,065	13,491	84,168	(4,897)	-5.50%
Services for Communities-Asset Management	16,016	(160)	15,856	851	11,856	(4,000)	-25.23%
Council Wide / Corporate Projects	36,096	-	36,096	9,569	35,972	(124)	-0.34%
Total Gross Expenditure	179,528	12,452	191,980	32,322	174,870	(17,110)	-8.91%

Resources

<i>Capital Receipts</i>							
General Services	511	-	511	248	3,208	2,697	527.79%
Ringfenced Asset Sales	3,000	-	3,000	-	2,000	(1,000)	-33.33%
Asset Sales to reduce Corporate borrowing	-	-	-	-	2,699	2,699	n/a
Less Fess Relating to Receipts	-	-	-	(38)	(150)	(150)	n/a
<i>Total Capital Receipts from Asset Sales</i>	<i>3,511</i>	<i>-</i>	<i>3,511</i>	<i>210</i>	<i>7,757</i>	<i>4,246</i>	<i>120.93%</i>
Developer and other Contributions	-	12,427	12,427	1,955	12,427	-	0.00%
Capital Grants Unapplied Account drawdown	1,328	-	1,328	-	1,328	-	0.00%
<i>Total Capital Receipts</i>	<i>4,839</i>	<i>12,427</i>	<i>17,266</i>	<i>2,165</i>	<i>21,512</i>	<i>4,246</i>	<i>24.59%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	37,837	662	38,499	12,833	38,499	-	0.00%
Cycling, Walking and Safer Streets	565	-	565	-	565	-	0.00%
New Gaelic School	400	-	400	-	400	-	0.00%
Management Development Funding	24,094	-	24,094	-	24,094	-	0.00%
<i>Total Grants</i>	<i>62,896</i>	<i>662</i>	<i>63,558</i>	<i>12,833</i>	<i>63,558</i>	<i>-</i>	<i>0.00%</i>
Total Resources	67,735	13,089	80,824	14,998	85,070	4,246	5.25%

Balance to be Funded	111,793	(637)	111,156	17,324	89,800	(21,356)	-19.21%
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Borrowing

Supported Borrowing	103,833	-	103,833		103,709	(124)	
Total Supported Borrowing	103,833	-	103,833		103,709	(124)	
(Surplus) / Over-programming of borrowing to be carried forward to future years*	7,960	(637)	7,323		(13,909)	(21,232)	
Total	111,793	(637)	111,156		89,800	(21,356)	

* The in year budgeted (Surplus) / Over-programming of borrowing is set in the context of the four year capital programme to ensure that over this period the capital budget remains affordable.

CAPITAL MONITORING 2012/2013 Period 4**Slippage and Acceleration on Projects**

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

	Period 4 £000	Period 2 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration
<u>Children and Families</u>				
Wave 3 - Portobello High School Replacement	-7,859	0	-7,859	See explanation in report at para 2.5.
Total Children and Families	-7,859	0	-7,859	
<u>Council Wide/Corporate Projects</u>				
EICC - Additional Function Space and Office Building	-124	0	-124	Delay due to water ingress as a result of the extent of the rainfall in June 2012. The contractor expects to recover this delay and the project is expected to be delivered on time and budget.
Total Council Wide/Corporate Projects	-124	0	-124	
<u>Asset Management Works</u>				
Slippage across the Asset Management Works Programme	-4,000	0	-4,000	Approximately 50% of the asset management works programme is either at brief, design or to be confirmed status. An estimated slippage figure has therefore been incorporated into the period four monitoring report, reflecting the likelihood that the full budget will not be spent in the current year.
Asset Management Works	-4,000	0	-4,000	
<u>Corporate Governance</u>				
Assembly Rooms	-214	0	-214	This relates to retention costs to be paid in 2013-14.
Other Projects	-45	0	-45	
<i>Underpinned by receipt that will not be realised until a future year</i>	58	0	58	
Total Corporate Governance	-201	0	-201	

	Period 4	Period 2	Movement between periods	Explanations for Significant Slippage / Acceleration
<u>Health and Social Care</u>				
Fire Upgrading Work	-29	0	-29	
Total Health and Social Care	-29	0	-29	
<u>Services for Communities</u>				
Leith Walk / Constitution Street	-2,500	0	-2,500	Scheme reassessed, resulting in substantial scope and delivery mechanism change. This has led to a revised scheme programme that shows a substantial scheme spend slippage in 2012/13 into 2013/14.
Water of Leith Flood Prevention Reports	-1,600	0	-1,600	Predicted slippage 2012/13 on Phase 1 due to contractor encountering piling problems on site. However, overall there is a predicted shortfall of £11.8m to deliver Phase 2. Report on funding issues on the Water of Leith scheme going to the tie committee in September
Portobello Kilns	-282	0	-282	Majority of expenditure will slip into 2013/14, due to the nature of materials used in reconstruction and their requirement to prove. Only fees now likely to be incurred in current year.
Food Waste Grant	-261	0	-261	Slippage on current allocation of food waste grant.
Stair Lighting	-212	0	-212	Current review of stairlighting service means that spend is unlikely this financial year.
Closed Circuit Television Camera Project	-108	0	-108	This is ringfenced for reinstatement of CCTV following tram works.
Other net accelerations	66	0	66	Net acceleration across a number of other projects
Total Services for Communities	-4,897	0	-4,897	
Total for all Services	-17,110	0	-17,110	

PRUDENTIAL INDICATORS 2012/13 - Period 4

Indicator 1 - Estimate of Capital Expenditure

	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15	2015/16	2015/16
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children & Families	26,659	35,097	20,298	16,603	41,555	4,333	22,730	32,858	11,351
Corporate Governance	22,486	2,590	7,635	165	366	165	165	165	165
Economic Development	0	0	55	0	0	0	0	0	0
Health & Social Care	3,932	10,029	14,886	1,931	2,921	0	340	0	154
Services for Communities	96,737	77,084	84,168	41,515	54,492	30,067	30,067	17,819	17,819
SfC - Asset Management Programme	5,189	16,865	11,856	13,283	20,643	16,500	15,171	16,500	16,500
Other Capital Projects	23,426	31,599	35,972	7,774	7,225	0	0	0	0
Police Expenditure (Share of Grant Funding)	1,906	1,568	1,568	1,441	1,441	2,117	2,117	0	0
Slippage b/fwd - to be allocated	0	11,242	0	132	0	0	0	0	0
Trams	109,544	121,929	123,527	49,810	46,366	2,953	6,221	0	0
Total General Services	289,879	308,003	299,965	132,654	175,009	56,135	76,811	67,342	45,989
Housing Revenue Account	49,045	49,686	46,984	37,139	37,139	33,797	33,797	28,344	28,344
Total	338,924	357,689	346,949	169,793	212,148	89,932	110,608	95,686	74,333

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2011/12	2012/13	2012/13	2013/14	2014/15
	Actual	Estimate	Forecast	Estimate	Estimate
	%	%	%	%	%
General Services	10.45	11.65	11.66	11.99	11.99
Housing Revenue Account	36.76	36.97	36.97	37.53	38.20

Forecast and estimates include the financing cost relating to the Trams project

Indicator 3 - Capital Financing Requirement

	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15	2015/16	2015/16
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Services	992,849	1,149,295	1,126,230	1,140,213	1,166,834	1,072,745	1,118,927	1,078,198	1,102,627
Housing Revenue Account	352,296	367,772	368,794	379,778	380,800	385,958	386,980	376,119	377,141
Finance Leases	218,406	209,770	209,741	201,242	201,183	194,248	194,160	186,875	186,757
Total	1,563,551	1,726,837	1,704,765	1,721,233	1,748,817	1,652,951	1,700,067	1,641,192	1,666,525

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

Indicator 4 - Authorised Limit for External Debt

	2012/13	2013/14	2014/15
	Estimate	Estimate	Estimate
	£000	£000	£000
Borrowing	1,663,768	1,692,669	1,665,022
Other Long-Term Liabilities	209,488	200,960	193,966
Total	1,873,256	1,893,629	1,858,988

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

Indicator 5 - Operational Boundary for External Debt

	2012/13	2013/14	2014/15
	Estimate	Estimate	Estimate
	£000	£000	£000
Borrowing	1,616,742	1,639,759	1,578,567
Other Long-Term Liabilities	209,488	200,960	193,966
Total	1,826,230	1,840,719	1,772,533

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

Indicator 6 - Impact on Council Tax and House Rents

	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15
	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000
for the band "D" Council Tax	8.82	5.51	22.19	19.09	0.23	14.65
for the average weekly housing rents	-0.09	-0.07	-0.48	-0.40	-1.15	-1.06

The changes between the forecast and the original estimate reflect the realignment of the Capital Investment Programme reported to Finance and Resources Committee in July 2012.

CAPITAL MONITORING 2012/13**Housing Revenue Account Summary****Period 4**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	47,686	9,791	46,984	-702	-1.5%
Total Gross Expenditure	47,686	9,791	46,984	-702	-1.5%

Resources					
Capital Receipts	-7,000	-1,210	-7,000	0	0.0%
Developers and Other Contributions	-5,325	0	-4,623	702	0.0%
Capital Grants Unapplied Account Drawdown	-1,675	-1,675	-1,675	0	0.0%
Specific Capital Grant	-1,250	-1,250	-1,250	0	0.0%
Total Resources	-15,250	-4,135	-14,548	702	-4.6%

Borrowing					
Borrowing	32,436	5,656	32,436	0	0.0%
Total	32,436	5,656	32,436	0	0.0%