

Governance, Risk and Best Value Committee

10.00am, Tuesday 20 February 2018

Capital Monitoring 2017/18 – Month Nine Position - referral from the Finance and Resources Committee

Item number	7.2
Report number	
Wards	All
Council Commitments	

Executive summary

On 23 January 2018 the Finance and Resources Committee considered a report that set out the overall position of the Council's capital budget at the nine month position (based on eight month data) and the projected outturn for the year. The report has been referred to the Governance, Risk and Best Value Committee for scrutiny as part of its work-plan.

Terms of Referral

Capital Monitoring 2017/18 – Month Nine Position - referral from the Finance and Resources Committee

Terms of referral

- 1.1 The month nine position showed that the Council was projected to require loans fund advances of £35.453m and would be in receipt of grants and capital income that amounted to £104.556m. Together this would fund projected capital investment of £140.009m. Loans fund advances were projected to be £12.263m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme partly offset by delayed receipts from asset sales.
- 1.2 The Housing Revenue Account (HRA) capital investment programme was projecting to require loans fund advances of £29.318m and would be in receipt of grants and capital income amounting to £39.751m. Together this would fund projected capital investment of £69.070m. Loans fund advances were projected to be £13.674m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme and a higher level of capital income.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the projected capital outturn on the General Fund and Housing Revenue Account (HRA) at month nine.
 - 1.3.2 To note the prudential indicators at month nine.
 - 1.3.3 To note that the Head of Finance was closely monitoring the capital receipts position.
 - 1.3.4 To refer the report to the Governance, Risk and Best Value Committee for scrutiny as part of its work-plan.

For Decision/Action

- 2.1 The Governance, Risk and Best Value Committee is asked to scrutinise the report as part of its work-plan.

Background reading / external references

Finance and Resources Committee 23 January 2018.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday 23 January 2018

Capital Monitoring 2017/18 – Month Nine Position

Item number

Report number

Executive/routine

Wards

Council Commitments:None

Executive Summary

The month nine position shows that the Council is projected to require loans fund advances of £35.453m and will be in receipt of grants and capital income amounting to £104.556m. Together this will fund projected capital investment of £140.009m. Loans fund advances are projected to be £12.263m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme partly offset by delayed receipts from asset sales.

The HRA capital investment programme is projecting to require loans fund advances of £29.318m and will be in receipt of grants and capital income amounting to £39.751m. Together this will fund projected capital investment of £69.070m. Loans fund advances are projected to be £13.674m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme and a higher level of capital income.

Capital Monitoring 2017/18 – Month Nine Position

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are requested to:
- 1.1.1 Note the projected capital outturn position on the General Fund and HRA at month nine;
 - 1.1.2 Note the prudential indicators at month nine;
 - 1.1.3 Note that the Head of Finance is closely monitoring the capital receipts position; and
 - 1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

2. Background

- 2.1 This report sets out the overall position of the Council's capital budget at the nine-month position (based on month eight data) and the projected outturn for the year.

3. Main report

Existing Capital Plans

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

	Outturn Variance at Month Nine	Outturn Variance at Month Five	Movement from Month Five
	£000	£000	£000
Net (slippage) / acceleration in gross expenditure	(28,058)	(11,860)	(16,198)
Net (surplus) / deficit in capital receipts and grant income	15,795	7,259	8,536
Net increase / (decrease) in loans fund advances	(12,263)	(4,601)	(7,662)

- 3.2 The position at month nine can be seen in Appendix 1, which shows expenditure on the Capital Investment programme of £140.009m funded by grants and other capital income of £104.556m and loans fund advances of £35.453m.
- 3.3 The projected slippage in gross expenditure has increased by £16.198m. This relates mainly to slippage identified in the ICT transformation project (£10.830m), increased slippage in highways, street lighting and transportation projects (£6.391m), and slippage of the City Wide CCTV project (£1.125m). This slippage was partially accounted for at the half year by a general slippage assumption of £3.966m, which has now been superseded by project-specific slippage.
- 3.4 Explanations for significant slippage and accelerations for General Fund projects projected at month nine are presented in Appendix 2.
- 3.5 Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances outwith the control of the Council. Known variances to the delivery of the programme advised by Executive Directors have been incorporated into the revised Programme referred to in 3.1.

Capital receipts / grant income

- 3.6 Projected capital receipts from the sale of surplus assets, including those ringfenced for specific projects, of £10.345m are lower than budget by £9.983m for 2017/18 as a result of changes in anticipated settlement dates and the phasing of receipts which are now expected to be received in future years. These include receipts from the sale of the former Boroughmuir High School site, land at Glasgow Road and the former public toilet site at Canaan Lane.
- 3.7 The City of Edinburgh Council approved a transfer of £7.9m surplus capital receipts over the period of the 2015/2020 CIP to the Capital Fund to be split equally between planned repairs and maintenance and initial development costs relating to the Local Development Plan (LDP). £2.341m of receipts have previously been transferred to the Fund and the 2017/18 budget included the final amount of £5.559m. The transfer to the Fund in 2017/18 is now projected to be £4.75m resulting from a delay in realising a proportion of this income. This delay is not anticipated to have any implications for the delivery of these programmes.
- 3.8 Members should also be aware that the value and timing of capital receipts can be impacted by a number of factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any further revisions to the receipts programme will be reported within future capital monitoring reports.

Prudential Indicators

- 3.9 The Prudential Indicator monitoring at month nine is shown in Appendix 3.

Housing Revenue Account (HRA)

- 3.10 The Housing Revenue Account is forecasting slippage in gross expenditure of £8.934m at month nine (£6.663 at month five) as shown in Appendix 4. The full

HRA capital investment budget position is shown in Appendix 4. At month nine, the forecast is gross expenditure of £69.070m, capital receipts and grant income of £39.751m and loans fund advances of £29.318m.

- 3.11 The projected outturn at month nine is based on an assessment of the various risks identified and their impact on in-year delivery. Explanations for significant slippage and accelerations for HRA projects projected at month nine are presented in Appendix 5.

4. Measures of success

- 4.1 Completion of capital projects as budgeted for in the revised 2017/18 capital programme.
- 4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

5. Financial impact

- 5.1 The projected 2017/18 general fund outturn outlines loans fund advances of £35.453m. The overall loan charges associated with this over a 20-year period would be a principal amount of £35.453m, interest of £23.080m, resulting in a total cost of £58.533m based on a loans fund interest rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.913m, followed by an annual cost of £2.881m for 20 years.
- 5.2 The projected 2017/18 HRA outturn outlines loans fund advances of £29.318m. The overall loans charges associated with this over a 20-year period would be a principal amount of £29.318m, interest of £19.086m, resulting in a total cost of £48.404m based on a loans fund rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.764m followed by an annual cost of £2.382m for 20 years.
- 5.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 5.4 The loan charge costs outlined above will be met from this year's general fund and HRA revenue budgets for loan charges.

6. Risk, policy, compliance and governance impact

- 6.1 Significant budget virements have complied with relevant financial rules and regulations.
- 6.2 Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.

- 6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Strategy and Insight service.
- 6.4 The nature of capital projects means that there is an inherent risk of delays or unforeseen circumstances outwith the control of the Council.

7. Equalities impact

- 7.1 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 Families establishments and capital expenditure on Council housing stock.

8. Sustainability impact

- 8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.
- 8.2 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.
- 8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

9. Consultation and engagement

- 9.1 Consultation on the capital budget was undertaken as part of the budget process.

10. Background reading/external references

[Capital monitoring 2017-18 - half year position](#) Finance and Resources Committee 7 November 2017

Stephen S. Moir

Executive Director of Resources

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11. Appendices

- 1 - Capital Monitoring 2017/18 – General Fund
- 2 - Slippage and Acceleration on General Fund Projects
- 3 - Prudential Indicators 2017/18
- 4 - Capital Monitoring 2017/18 – HRA
- 5 - Slippage and Acceleration on HRA Projects

Capital Monitoring 2017/18

General Fund Summary

Period 9

Expenditure	Approved Budget £000	Adjusts £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000 %	
Communities and Families	32,243	9,588	41,831	23,141	38,712	(3,119)	0.00%
Edinburgh IJB	152	215	367	492	492	125	0.00%
Place	127,259	(29,096)	98,163	49,386	85,560	(12,603)	0.00%
Resources - Asset Management Works	11,132	(289)	10,843	7,805	10,306	(537)	0.00%
Resources - Other	-	15,738	15,738	1,380	4,761	(10,977)	0.00%
Safer and Stronger Communities	1,125	-	1,125	-	-	(1,125)	0.00%
Council Wide Projects	-	-	-	178	178	-	0.00%
Total Gross Expenditure	171,911	(3,844)	168,067	82,382	140,009	(28,058)	-16.69%

Income

<i>Capital Receipts</i>							
General Services	18,936	(92)	18,844	3,430	8,861	(9,983)	-52.98%
Ringfenced Asset Sales	7,880	(4,181)	3,699	203	203	(3,496)	-94.51%
Asset Sales to reduce Corporate borrowing	1,406	484	1,890	650	1,281	(609)	-32.22%
Less Fees Relating to General Receipts	-	-	-	124	-	-	#DIV/0!
<i>Total Capital Receipts from Asset Sales</i>	<i>28,222</i>	<i>(3,789)</i>	<i>24,433</i>	<i>4,407</i>	<i>10,345</i>	<i>(14,088)</i>	<i>-57.66%</i>
Less additional receipt income to capital fund	(5,559)	-	(5,559)	-	(4,750)	809	-14.55%
<i>Available Capital Receipts from Asset Sales</i>							
Developer and other Contributions	174	8,582	8,756	6,404	8,756	-	0.00%
Capital Grants Unapplied Account drawdown	-	-	9	-	9	-	0.00%
<i>Total Capital Receipts</i>	<i>22,837</i>	<i>4,793</i>	<i>27,639</i>	<i>10,811</i>	<i>14,360</i>	<i>(13,279)</i>	<i>-48.04%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	53,708	-	53,708	35,797	53,696	(12)	-0.02%
Cycling, Walking and Safer Streets	683	-	683	-	683	-	0.00%
Management Development Funding	29,115	-	29,115	14,602	29,115	-	0.00%
Early Years and Childcare - Expansion	-	2,504	2,504	2,584	-	(2,504)	-100.00%
Other Specific Government Grants	-	6,702	6,702	2,062	6,702	-	0.00%
<i>Total Grants</i>	<i>83,506</i>	<i>9,206</i>	<i>92,712</i>	<i>55,045</i>	<i>90,196</i>	<i>(2,516)</i>	<i>-2.71%</i>
Total Income	106,343	13,999	120,351	65,856	104,556	(15,795)	-13.12%

Balance to be funded through Loans Fund Advance	65,568	(17,843)	47,716		35,453	(12,263)	-25.70%
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CAPITAL MONITORING 2017/18 - Period 9**Slippage and Acceleration on Projects**

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

Key to variance category

Type	Explanation
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.
5. Projected Underspend on a project	Projects where the final outturn is expected to be below budget.

Note that a project will exhibit an element of all of the above but the overriding reason has been considered when applying a variance category.

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
<u>Communities and Families</u>					
Early years 2020	-2,669	-2,591	-78	Programme has slipped due to working to reach agreement from Scottish Government re total available funding to meet extended nursery hours	3
Hunter Hall Cycle Hub And Pitch	-1,017	-1,017	0	Programme has slipped due to a review of the scope of the project with consideration to the Jack Kane centre	2
New Meadowbank Sport Centre	-1,539	0	-1,539	The programme has slipped due to the changes in the scope and delivery of the project	2
Open Libraries Solutions	-340	0	-340	Delays in recruitment of the project manager	2
George IV Bridge Library - Enhancement Works	-365	0	-365	Project on hold awaiting further funding	2
Roseburn PS RSR5	-50	0	-50	Project on Hold until 2018/19	1
New Queensferry HS	205	103	102	External fees for HUB -decision as to how funded is still being negotiated	4
St John's PS	1,479	1,500	-21	Reflects latest cash flow from QS- school progressing better than anticipated	4
Portobello Demolition	0	43	-43		4
New Primary schools		10	-10	Initial fees for new Primary schools to be met from future years budget	4
Rising School Rolls	1,146	0	1,146	RSR6 projects accelerated from future years	4
Net (slippage) / acceleration on various projects	31	-85	116		4
Total Communities and Families	-3,119	-2,037	-1,082		
<u>Edinburgh Integrated Joint Board</u>					
Net (slippage) / acceleration on various projects	125	0	125		4
Total Edinburgh Integrated Joint Board	125	0	125		

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Place					
Water of Leith Phase 2	-4,500	-4,500	0	Projected underspend on delivery of the project. Proposals for the allocation of this underspend will be reported to Finance and Resources Committee on 8 February 2018.	5
Water of Leith Phase 1	-319	0	-319	Retention and compensation settlements payable in future years	3
Roads Asset Management plan	-1,633	0	-1,633	Delay due to loss of design resource and delay in recruitment	2
Street Lighting	-218		-218	Projection amended October 2017	2
Street Lighting - LED	-945		-945	Revised Forecast from Project Management team due to re-profiling of works	2
Traffic Signals Renewal	-650		-650	Delay in 4 schemes, resulting in delay in being delivered until early 2018	1
Leith Improvement Programme - Core	-1,443	-1,126	-317	Realignment to fit with the tram project	3
Road Safety and Active Travel	-1,561		-1,561	Delays in project delivery as a result of internal staff shortages and reprioritisation of projects.	2
St Andrew Square Bus Station	-201	-176	-25	Delays to the tender process and appointment expected to extend to next financial year	3
Bus Priority Schemes/Bus Shelters	-474	-249	-225	Installation works of bus shelters to be delivered over financial years, with full payment not being made until works are complete.	3
Localities	-498		-498	Consideration of competing demands	2
Net (slippage) / acceleration on various projects	-161	194	-355		2
Total Place	-12,603	-5,857	-6,746		
Resources - Asset Management Works					
Slippage across the Asset Management Works programme	-537	0	-537		2
Total Resources - Asset Management Works	-537	0	-537		
Resources - Other					
ICT	-10,830	0	-10,830	Delays in implementation of ICT transformation change projects	2
Net (slippage) / acceleration on various projects	-147	0	-147		2
Total Resources - Other	-10,977	0	-10,977		
Safer and Stronger Communities					
CCTV City Wide	-1,125	0	-1,125	Project delayed due to review of project scope	2
Total Safer and Stronger Communities	-1,125	0	-1,125		
Council Wide / Corporate Projects					
Net (slippage) / acceleration on various projects	178		178		4
General Slippage across the programme (2.5%)	0	-3,966	3,966	This is now reflected more accurately against individual projects rather than a general assumption across the whole programme.	1
Total Council Wide / Corporate Projects	178	-3,966	4,144		
Total for all Services	-28,058	-11,860	-16,198		

		Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Summary of Variance Category						
1	Slippage due to unforeseen delays	-700	-3,966	3,266		
2	Slippage due to optimistic budget	-20,916	-823	-20,093		
3	Slippage due to timing of payments	-5,106	-4,142	-964		
4	Acceleration on a project	3,164	1,571	1,593		
5	Projected final underspend	-4,500	-4,500	0		
		<u>-28,058</u>	<u>-11,860</u>	<u>-16,198</u>		

Appendix 3

PRUDENTIAL INDICATORS 2017/18 - Period 9

Indicator 1 - Estimate of Capital Expenditure

	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Council Wide / Corporate Projects	1,184	0	178	0	0	0	0	0	0	0	0
Unallocated funding - indicative 5 year plan 2019/20	0	0	0	0	0	0	0	0	0	7,000	7,000
Chief Executive	838	0	0	0	0	0	0	0	0	0	0
Communities and Families	41,816	34,993	38,712	28,895	32,014	17,850	17,850	2,485	2,485	165	165
Edinburgh Integration Joint Board	4,527	302	492	2,069	1,944	1,528	1,528	0	0	0	0
Place	90,704	90,571	85,560	86,315	98,718	76,622	77,398	85,277	19,835	19,835	19,835
Resources	0	15,470	4,761	0	10,977	0	0	0	0	0	0
Resources - Asset Management Works	18,908	10,885	10,306	7,706	8,243	25,360	27,107	14,000	14,000	14,000	14,000
Safer and Stronger Communities	0	1,125	0	0	1,125	0	0	0	0	0	0
General slippage across programme (2.5%)	0	0	0	0	0	0	0	0	0	0	0
Total General Services	157,977	153,346	140,009	124,985	153,021	121,360	123,883	101,762	36,320	41,000	41,000
Housing Revenue Account	43,627	79,459	69,070	100,933	100,933	97,414	97,414	105,849	105,849	147,388	147,388
Total	201,604	232,805	209,079	225,918	253,954	218,774	221,297	207,611	142,169	188,388	188,388

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget approved in September 2017 incorporating the final slippage and realignment after the outturn for 2016/17. Differences between these and the 'forecast' figures relate to slippage or acceleration in the programmes for the General Fund and HRA detailed in Appendices 2 and 5.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2016/17	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Forecast	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
General Services	11.63	11.53	11.72	11.72	11.61	11.41	N/A
Housing Revenue Account	35.21	37.61	36.33	39.58	42.28	44.79	46.76

Forecast and estimates include the financing cost relating to the Tram (phase 1) project.

Figures for 2018/19 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the current long term financial plan that ends in 2020/21. HRA figures are based on the current business plan.

Appendix 3

Indicator 3 - Capital Financing Requirement

	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Services (including finance leases)	1,250,818	1,272,527	1,218,295	1,210,923	1,221,667	1,202,508	1,218,624	1,134,855	1,217,963	1,061,110	1,156,013
Housing Revenue Account	364,934	398,199	375,963	435,864	423,306	486,728	475,949	523,509	515,966	583,289	579,794
Total	1,615,752	1,670,726	1,594,258	1,646,787	1,644,973	1,689,236	1,694,573	1,658,364	1,733,929	1,644,399	1,735,807

Forecasts include the capital financing requirement relating to PPP assets and Trams (Phase 1) project

Indicator 4 - Authorised Limit for External Debt

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Borrowing	1,970	1,960	1,990	1,900	1,800
Credit Arrangements	220	200	200	230	220
Total	2,190	2,160	2,190	2,130	2,020

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

Indicator 5 - Operational Boundary for External Debt

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Borrowing	1,580	1,570	1,610	1,600	1,590
Other Long-Term Liabilities	220	200	200	230	220
Total	1,800	1,770	1,810	1,830	1,810

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

Appendix 3

Indicator 6 - Impact on Council Tax and House Rents

	2017/18	2018/19	2019/20	2020/21	2021/22
	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
for the band "D" Council Tax	-1.05	-2.08	1.09	0.95	N/A
for the average weekly housing rents	-0.37	-1.23	-1.22	-1.20	-1.19

In calculating the incremental impact of capital investment decisions on the band "D" Council Tax, investment decisions relating to National Housing Trust Phases have been omitted. As agreed with the Scottish Government, the borrowing and associated interest costs related to this expenditure are directly rechargeable to developers at agreed periods in the future. As such, there is no cost to the Council in relation to this element of borrowing and therefore it has been omitted in calculating the incremental impact of capital investment decisions.

The indicator shows the impact of the borrowing requirements for the General Fund and HRA, respectively, reported at Period 9 and the realignment of the Capital Investment Programme approved at Finance and Resources Committee on 5 September 2017.

CAPITAL MONITORING 2017/18**Housing Revenue Account Summary****Period 9**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	78,004	33,243	69,070	-8,934	-11.5%
Total Gross Expenditure	78,004	33,243	69,070	-8,934	-11.5%

Income					
Capital Receipts	-11,400	-4,168	-4,947	6,453	-56.6%
Developers and Other Contributions	-16,537	-375	-24,588	-8,051	48.7%
Specific Capital Grant	-7,075	-3,365	-10,216	-3,141	44.4%
Total Income	-35,012	-7,908	-39,751	-4,739	13.5%

Loans Fund Advances					
Loans Fund Advances	42,992		29,318	-13,674	-31.8%
Total	42,992		29,318	-13,674	-31.8%

CAPITAL MONITORING 2017/18 - Period 9
Slippage and Acceleration on Housing Revenue Account (HRA) Projects

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

Key to variance category

<i>Type</i>	<i>Explanation</i>
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.

Note that a project will exhibit an element of all of the above but the overriding reason has been considered when applying a variance category.

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
<u>Housing Revenue Account</u>					
Housing Investment on Existing Homes	-1,689		-1,689	The Kitchens and Bathrooms programme is projected to under spend by approximately £1m. Almost a third is due to efficiency saving on the unit costs through improved contract management rather than slippage. Underspend is largely due to below average uptake from tenants. One contractor fails to resource adequately to deliver the programme within the required timescales. This is being addressed through regular contract management meetings. The programme is on track to meet the Council commitment of ensuring that no kitchens and bathrooms is over 20 years old by the end of 2019/20. £0.6m in the revised budget was earmarked for a mixed tenure pilot. It was based on the original scope of upgrading three blocks in Dumbryden area. The scope of the pilot has since been expanded to include whole block re-design, place making in the wider area and one pilot area in each locality. This expanded scope has resulted in longer lead in time to contractor appointment and delaying the associated project spend.	1
Neighbourhood Improvement Programme	-800	0	-800	The Neighbourhood Improvement Programme is projected to under spend by £0.8m. However, all identified projects will be delivered in line with the priorities agreed with local teams and neighbourhood governance.	2
Regeneration Programme	-1,000	-1,000	0	The underspend (£1m) in the Regeneration Programme was due to extensive engagement of owners and legal process for buybacks taking longer than initially projected and recent identification of asbestos at St Stephen's Court, which delays the project and spend.	1

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Service Transformation	-1,415	-908	-507	The Broadband Pilot, which forms part of the service transformation programme and aims to provide high speed broadband to around 1,200 homes in North Edinburgh, has been delayed. Tenders received from contractors failed to meet the project specifications and alternative delivery models are being explored.	1
House Building Programme	-5,067	-5,628	561	The annual expenditure on the House Building Programme is projected to under spend by £5.1m, an improvement from the £5.7m projected at month 5. This is primarily due to delays in securing statutory consents for construction work at North Sighthill, small sites and Greendykes. Greendykes was also subject to a value engineering exercise due to high tender price. Despite the delay, the budgets for individual house building projects will still be spent in full as part of the three year rolling programme.	1
Net (slippage) / acceleration on various projects	1,037	873	164		4
Total Housing Revenue Account	-8,934	-6,663	-2,271		

Summary of Variance Category

1	Slippage due to unforeseen delays	-9,171	-7,536	-1,635
2	Slippage due to optimistic budget	-800	0	-800
3	Slippage due to timing of payments	0	0	0
4	Acceleration on a project	1,037	873	164
		-8,934	-6,663	-2,271