

# 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

Contact: Veronica MacMillan, Team Leader, Committee Services

E-mail: [veronica.macmillan@edinburgh.gov.uk](mailto:veronica.macmillan@edinburgh.gov.uk) | Tel: 0131 529 4283

## 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.

|  | <b>Outturn<br/>Variance<br/>at Month<br/>Nine</b> | <b>Outturn<br/>Variance<br/>at Month<br/>Five</b> | <b>Movement<br/>from<br/>Month<br/>Five</b> |
|--|---|---|---|
|  | £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                                       |
| <b>Net increase / (decrease) in loans fund advances</b>      | <b>(12,263)</b>                                   | <b>(4,601)</b>                                    | <b>(7,662)</b>                              |

- 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

Contact: Denise Pryde, Senior Accountant

E-mail: [denise.pryde@edinburgh.gov.uk](mailto:denise.pryde@edinburgh.gov.uk) | Tel: 0131 469 3195



## 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<br>£000 | Adjusts<br>£000 | Revised Budget<br>£000 | Actual to Date<br>£000 | Projected Outturn<br>£000 | Projected Variance<br>£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%          |
| <b>Total Gross Expenditure</b>     | <b>171,911</b>          | <b>(3,844)</b>  | <b>168,067</b>         | <b>82,382</b>          | <b>140,009</b>            | <b>(28,058)</b>              | <b>-16.69%</b> |

## 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>  |
| <b>Total Income</b>                                | <b>106,343</b> | <b>13,999</b>  | <b>120,351</b> | <b>65,856</b> | <b>104,556</b> | <b>(15,795)</b> | <b>-13.12%</b> |

|  |               |                 |               |  |               |                 |                |
|--|---------------|-----------------|---------------|--|---------------|-----------------|----------------|
| <b>Balance to be funded through Loans Fund Advance</b> | <b>65,568</b> | <b>(17,843)</b> | <b>47,716</b> |  | <b>35,453</b> | <b>(12,263)</b> | <b>-25.70%</b> |
|--|---------------|-----------------|---------------|--|---------------|-----------------|----------------|

**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<br>£000 | Period 5<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration   | Variance<br>Category |
|---|------------------|------------------|--|--|----------------------|
| <b><u>Communities and Families</u></b>            |                  |                  |  |  |                      |
| 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                    |
| <b>Total Communities and Families</b>             | <b>-3,119</b>    | <b>-2,037</b>    | <b>-1,082</b>                          |  |                      |
| <b><u>Edinburgh Integrated Joint Board</u></b>    |                  |                  |  |  |                      |
| Net (slippage) / acceleration on various projects | 125              | 0                | 125                                    |  | 4                    |
| <b>Total Edinburgh Integrated Joint Board</b>     | <b>125</b>       | <b>0</b>         | <b>125</b>                             |  |                      |

|  | Period 9<br>£000 | Period 5<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration   | Variance<br>Category |
|--|------------------|------------------|--|--|----------------------|
| <b>Place</b>   |                  |                  |  |  |                      |
| 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                    |
| <b>Total Place</b>                                   | <b>-12,603</b>   | <b>-5,857</b>    | <b>-6,746</b>                          |  |                      |
| <b>Resources - Asset Management Works</b>            |                  |                  |  |  |                      |
| Slippage across the Asset Management Works programme | -537             | 0                | -537                                   |  | 2                    |
| <b>Total Resources - Asset Management Works</b>      | <b>-537</b>      | <b>0</b>         | <b>-537</b>                            |  |                      |
| <b>Resources - Other</b>                             |                  |                  |  |  |                      |
| 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                    |
| <b>Total Resources - Other</b>                       | <b>-10,977</b>   | <b>0</b>         | <b>-10,977</b>                         |  |                      |
| <b>Safer and Stronger Communities</b>                |                  |                  |  |  |                      |
| CCTV City Wide                                       | -1,125           | 0                | -1,125                                 | Project delayed due to review of project scope   | 2                    |
| <b>Total Safer and Stronger Communities</b>          | <b>-1,125</b>    | <b>0</b>         | <b>-1,125</b>                          |  |                      |
| <b>Council Wide / Corporate Projects</b>             |                  |                  |  |  |                      |
| 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                    |
| <b>Total Council Wide / Corporate Projects</b>       | <b>178</b>       | <b>-3,966</b>    | <b>4,144</b>                           |  |                      |
| <b>Total for all Services</b>                        | <b>-28,058</b>   | <b>-11,860</b>   | <b>-16,198</b>                         |  |                      |

|                                     |                                    | Period 9<br>£000 | Period 5<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration | Variance<br>Category |
|-------------------------------------|------------------------------------|------------------|------------------|--|--|----------------------|
|                                     |                                    |                  |                  |  |  |                      |
| <b>Summary of Variance Category</b> |                                    |                  |                  |  |  |                      |
| 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<br>Actual<br>£000 | 2017/18<br>Estimate<br>£000 | 2017/18<br>Forecast<br>£000 | 2018/19<br>Estimate<br>£000 | 2018/19<br>Forecast<br>£000 | 2019/20<br>Estimate<br>£000 | 2019/20<br>Forecast<br>£000 | 2020/21<br>Estimate<br>£000 | 2020/21<br>Forecast<br>£000 | 2021/22<br>Estimate<br>£000 | 2021/22<br>Forecast<br>£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<br>£m | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£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<br>£m | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£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**

|                                      | <b>2017/18</b>  | <b>2018/19</b>  | <b>2019/20</b>  | <b>2020/21</b>  | <b>2021/22</b>  |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                      | <b>Forecast</b> | <b>Forecast</b> | <b>Forecast</b> | <b>Forecast</b> | <b>Forecast</b> |
|                                      | <b>£</b>        | <b>£</b>        | <b>£</b>        | <b>£</b>        | <b>£</b>        |
| 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<br>£000 | Actual to Date<br>£000 | Projected Outturn<br>£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% |

| <b>Income</b>                      |         |        |         |        |        |
|------------------------------------|---------|--------|---------|--------|--------|
| 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%  |

| <b>Loans Fund Advances</b> |        |  |        |         |        |
|----------------------------|--------|--|--------|---------|--------|
| 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<br>£000 | Period 5<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration  | Variance<br>Category |
|---------------------------------------|------------------|------------------|--|---|----------------------|
| <b><u>Housing Revenue Account</u></b> |                  |                  |  |   |                      |
| 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<br>£000 | Period 5<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration   | Variance<br>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                    |
| <b>Total Housing Revenue Account</b>              | <b>-8,934</b>    | <b>-6,663</b>    | <b>-2,271</b>                          |  |                      |

#### 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           |
|   |                                    | <b>-8,934</b> | <b>-6,663</b> | <b>-2,271</b> |