

Agenda Item	6
Report No	RES/33/17

HIGHLAND COUNCIL

Committee: Resources Committee

Date: 30 August 2017

Report Title: Corporate Capital Monitoring Report to 30 June 2017

Report By: Director of Finance

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the capital expenditure made by the Council in the first quarter of financial year 2017/18. The report also provides a forecast year end position.
- 1.2 During the first quarter of the year the Council has incurred £13.062m of capital expenditure. This investment forms part of the ten year capital programme, agreed in December 2015, encompassing over £900m of capital investment.
- 1.3 Forecast spend for the full financial year is £116.826m which reflects a net underspend of £28.810m against programmed expenditure.
- 1.4 Borrowing of £79.478m will be required to support the forecast level of expenditure. Loans charges, which reflect the cost to the Council's revenue budget of repaying the principal and interest elements of all the Council's historic borrowing, accounted for 9.93% of the total revenue spend in 2016/17.

2. Recommendations

- 2.1 Members are invited to consider the financial position of the General Fund and HRA Capital Programmes as at 30 June 2017.

3. Capital Expenditure

- 3.1 **Appendix 1** shows the General Fund net capital budget for 2017/18 of £145.636m, net expenditure to date of £13.062m, and an estimated net underspend of £28.810m on the programme for the financial year.
- 3.2 This underspend comprises slippage of £32.532m on projects which will be carried over to later financial years and service overspends of £3.722m brought forward from 2016/17.
- 3.3 **Appendix 3** reconciles the capital plan approved by Highland Council on 17 December 2015 to the current position, taking account of net slippage and overspends brought forward from previous years of the programme.
- 3.4 Under the new committee reporting arrangements the Places Committee now receives a report detailing the delivery of individual projects within the programme. A link to that report has been provided in the background papers section of this report.

4. Funding of the Capital Programme

- 4.1 The funding section of the table in **Appendix 1** shows how the capital programme is financed in the current year. The Council will receive a capital grant of £36.598m from the Scottish Government- this reflects grant funding specifically for use in financing capital expenditure.
- 4.2 The Council is forecasting to receive capital receipts in the year of £0.750m - this reflects income from the disposal of assets.
- 4.3 The largest element of funding for the capital programme is borrowing. In total borrowing of £79.478m would be required to fund the forecast level of expenditure for 2017/18.

5. Housing Revenue Account

- 5.1 As detailed in **Appendix 2** net expenditure for the year to date is £5.189m against an annual budget of £46.930m. Forecast spend for the year is £46.076m leading to a net underspend of £0.854m.
- 5.2 The net underspend, combined with income generated from the sale of Council houses is forecast to mean actual borrowing required to support HRA capital will be £2.541m below the budgeted level.

6. Implications

- 6.1 Resource – The cost of financing borrowing falls upon the loans charges budget- part of the Council's revenue budget. The loans charge budget comprises two main elements - the 'principal' element reflects the paying back of the capital borrowed. The 'interest' element reflects that cost of financing that borrowing.

Under loans fund accounting rules Highland Council accounting policy is that the principal element of any repayment of borrowing begins in the year after that in which capital expenditure was incurred. As such capital projects paid for in 2017/18 will affect the principal element of the loans charges budget in 2018/19.

The other element of the loans charges budget relates to the actual interest costs on external borrowing. The Council's current treasury management strategy is for any new borrowing to be undertaken on a short term basis to take advantage of very low borrowing rates.

All borrowing does however have to be repaid and expenditure on any capital project will have a consequential impact on the Council's revenue budget in future years.

- 6.2 Risk- Any overspends on capital projects would either need to be funded from additional borrowing or by reducing spend on other programmed projects.

The ability to fund projects is determined by the capacity within the loans charges budget. Adverse movements in the Council's average cost of borrowing could restrict the total amount of capital funding available.

- 6.3 Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever, Gaelic – no specific implication.

Designation: Director of Finance

Date: 21 August 2017

Author: Edward Foster, Head of Corporate Finance

Background Papers:

http://www.highland.gov.uk/download/meetings/id/72316/item_8_capital_expenditure_monitoring_to_30_june_2017

Capital Expenditure Monitoring Report - Service Summary
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1 April - 30th June 2017

Table A: General Fund

	Actual Net Year to Date £000	Annual Net Budget £000	Year End Estimated Net Outturn £000	Year End Net Variance £000	Carry Forward/ Back £000	Anticipated Year End Under/Over £000
General Fund						
Care and Learning	4,432	69,793	46,093	(23,700)	(23,700)	0
Chief Executive's Office	0	66	66	0	0	0
Community Services	3,768	17,426	17,526	100	100	0
Corporate Development	78	18,645	16,645	(2,000)	(1,500)	(500)
Development and Infrastructure	4,784	37,891	35,240	(2,651)	(6,873)	4,222
Discretionary Fund	0	1,815	1,256	(559)	(559)	0
Total General Fund	13,062	145,636	116,826	(28,810)	(32,532)	3,722
Funding						
General Capital Grant	3,050	36,598	36,598	0	0	0
Capital Receipts	214	750	750	0	0	0
Self -Financing Projects	0	5,865	5,865	0	0	0
Borrowing	9,798	69,308	69,308	0	0	0
Planned Over Programming and Slippage - Borrowing	0	33,115	4,305	(28,810)	(32,532)	3,722
Total General Fund	13,062	145,636	116,826	(28,810)	(32,532)	3,722

Capital Expenditure Monitoring Report - Housing Revenue Account

Appendix 2

1 April - 30th June 2017**Table B: Housing Revenue Account**

	Actual Year to Date £000	Annual Budget £000	Year End Outturn £000	Year End Variance £000
Gross Expenditure Budget	5,189	46,930	46,076	(854)
Funding				
Sale of Council House Receipts	(1,072)	0	(1,500)	(1,500)
Government Grant Income	(702)	(10,311)	(10,311)	0
RHI Income	(47)	0	(187)	(187)
CFCR	0	(3,439)	(3,439)	0
Landbank Contribution	0	(930)	(930)	0
Borrowing	(3,368)	(32,250)	(29,709)	2,541
Total HRA	0	0	0	0

Capital Expenditure Monitoring Report - Plan Update
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1 April 2017 - 30th June 2017

Capital Plan	2016/17 £000
Approved plan 2017/18	123,234
Net slippage brought forward from 2016/17	29,629
Net overspends brought forward from 2016/17	<u>(8,227)</u>
Capital plan at 1 April 2017	<u>144,636</u>
Net additional to Programme - Extra Investment in Roads	1,000
Capital plan at 30th June 2017 per Appendix 1	<u><u>145,636</u></u>