

Agenda Item	4
Report No	RES/22/21

THE HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 25th August 2021

Report Title: Corporate Capital Monitoring report to 30th June 2021

Report By: Executive Chief Officer- Resources and Finance

1. Purpose/Executive Summary

- 1.1 This report provides a summary of the actual spend in the first quarter of financial year 2021/22 together with a forecast year end outturn position.
- 1.2 Net spend on capital projects in the first quarter of financial year 2021/22 totalled £1.061m for the General Fund and £11.925m for the Housing Revenue Account (HRA).
- 1.3 Given this is the first quarter of the financial year, the fact Covid is still having an impact and based on present expenditure trends a balanced position for the year end is forecast for the General Fund and slippage of £10.812m for HRA.
- 1.4 Overall £113.733m of general fund capital spend (net of project specific income) is forecast for the year. Just under £90m of this spend will need to be financed by external borrowing which will be repaid through the Council's revenue loans fund budget over future years- representing a significant long term financial commitment for the Council.

2. Recommendations

- 2.1 Members are asked to:
 - i. Consider the financial position of the General Fund and HRA capital programme as at 30 June 2021 and note the estimated year end forecast.

3. Implications

- 3.1 Resource - Resource implications are discussed in the report.
- 3.2 Risk - Risk implications to the budget position, and budget assumptions, will be kept under regular review and any risks identified reported to future Committees.
- 3.3 Legal - The contents of this report and the annual accounts aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code- 'Monitoring financial performance' and 'External financial reporting'.
- 3.4 There are no specific equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

4. Capital Programme 2021/22

- 4.1 **Appendix 1** provides a summary of the reprofiled current year budgets and spend and income to 30 June 2021. The reprofiled budget was approved at Highland Council in January 2021. The year to date actual figures provided reflect the net project expenditure, i.e. project costs incurred less project-specific income received. The reprofiled budget for 2021/22 is £113.773m after adjusting for the 2020/21 net slippage carried forward position of £9.241m.
- 4.2 Overall there has been a net expenditure of £1.061m for the 3 months to 30 June 2021. This reflects the fact that significant project income has been received but that there have been delays in incurring costs. For the period £22.795m of gross expenditure has been incurred. Of the project income received the largest element relates to early years funding. Other funding streams relate to active travel, timber transport, European funding, City-Region deal funding, town centre funding, regeneration funding and vacant and derelict land funding. These funding streams will be offset against specific project costs as they are incurred.
- 4.3 The estimated outturn position shows a net expenditure of £113.773m. Given this is the first quarter of the financial year, the fact Covid is still having an impact and based on present expenditure trends a balanced position for the year end is forecast. This sum is funded from the general capital grant (including flood scheme funding) receivable by the Council of £23.244m with the shortfall made up from borrowing.
- 4.4 Individual project spend will form the basis of the capital reports to Strategic Committees.

5. HRA Capital Programme

- 5.1 The capital programme summary is included in **Appendix 2**. It shows net expenditure to 30 June 2021 of £11.925m. The projected outturn for net expenditure is £67.316m leading to a net variance of £10.812m. The net variance is due to slippage in the mainstream housing capital programme and is a direct consequence of the ongoing Covid pandemic. The lower than budgeted expenditure will see a consequential decrease in borrowing required for the year.

6. Funding the capital programme

- 6.1 As can be seen from the bottom sections of **Appendices 1 and 2**, significant levels of borrowing are required to support the capital expenditure planned to be incurred this

year. The primary other funding source for capital investment is Government capital grant funding.

- 6.2 A consequence of financing this capital investment through borrowing is that it creates a revenue budget commitment for the anticipated life of the asset invested in as the borrowing, and associated interest costs, is repaid. As such this year's capital investment will be committing the Council to revenue expenditure for up to the next 60 years.
- 6.3 For the general fund expenditure almost £90m of borrowing is expected to be required and for the Housing Revenue Account just over £50m is expected to be needed. This additional borrowing will increase the Council's overall debt position and, whilst interest rates are at a historically low level, will still accrue substantial interest charges. The long term average total annual cost of this year's planned general fund investment may be somewhere in the region of £3m to £4m. More information on the Council's approach to borrowing and overall debt position can be seen in the Annual Treasury Management report which follows later on this committee's agenda.
- 6.4 Further proposals for capital investment, the Council's capital strategy and details of how any capital investment will be financed will be brought to full Council later this year. All investment of this nature needs to be considered as part of the Council's medium and long term financial planning as a result of the future commitments it places on the revenue budget.

Designation: Executive Chief Officer- Finance and Resources

Date: 11th August 2021

Author: Mike Mitchell, Services Finance Manager

Background Papers:

https://www.highland.gov.uk/download/meetings/id/77562/item_17_highland_council_capital_plan_201819_to_202223_%E2%80%93_update_report

https://www.highland.gov.uk/download/meetings/id/78409/9ii_annual_accounts_202021_and_revenue_and_capital_budget_out-turn_figures

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2021 TO 30TH JUNE 2021

SERVICE: GENERAL FUND

Project Description	Actual Net Year to Date	2021/22 Reprofiled Budget	2021/22 Actual Expenditure	2021/22 Actual Income	2021/22 Estimated Outturn	2021/22 Acceleration / (Slippage)	2021/22 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000
COMMUNITY AND LEISURE FACILITIES	108	678	108	0	678	0	0
SCHOOLS	(7,044)	43,161	7,622	(14,666)	43,161	0	0
HEALTH & SOCIAL CARE PROGRAMME	1,040	3,237	1,125	(85)	3,237	0	0
ICT	464	1,258	464	0	1,258	0	0
ROADS AND BRIDGES	3,733	25,409	3,847	(114)	25,409	0	0
ACTIVE TRAVEL	799	51	1,254	(455)	51	0	0
LIGHTING	333	2,807	333	0	2,807	0	0
FLOOD PREVENTION	261	7,769	281	(20)	7,769	0	0
WASTE MANAGEMENT	407	11,976	407	0	11,976	0	0
FERRIES AND HARBOURS	33	1,191	64	(31)	1,191	0	0
COMMUNITY WORKS	62	805	62	0	805	0	0
LEISURE FACILITIES	62	204	75	(13)	204	0	0
STRATEGIC ASSET MANAGEMENT	520	7,603	521	(1)	7,603	0	0
VEHICLES & PLANT	489	3,106	492	(3)	3,106	0	0
PLANNING & DEVELOPMENT	(4,302)	1,352	2,876	(7,178)	1,352	0	0
CAPITAL CONTRIBUTIONS	1,258	800	228	1,030	800	0	0
SELF FUNDING PROJECTS	2,769	(293)	2,714	55	(293)	0	0
HOUSING (NON HRA)	69	2,659	322	(253)	2,659	0	0
OVERALL TOTAL	1,061	113,773	22,795	(21,734)	113,773	0	0

Funding	Actual Net Year to Date	2021/22 Reprofiled Budget	2021/22 Estimated Outturn	2021/22 Acceleration / (Slippage)	2021/22 Overspend / (Underspend)
	£000	£000	£000	£000	£000
General Capital Grant	5,811	23,244	23,244	0	0
Capital Receipts	240	750	750	0	0
Borrowing	(4,990)	89,779	89,779	0	0
TOTAL FUNDING	1,061	113,773	113,773	0	0

Capital Expenditure Monitoring Report - HRA Summary
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1 April - 30th June 2021

Housing Revenue Account	Actual Year to Date £000	Annual Budget £000	Year End Estimated Net Outturn £000	Year End Variance £000
Gross Expenditure Budget	11,925	78,128	67,316	(10,812)
Funding				
Sale of Council House Receipts	0	0	0	0
Government Grant Income	2,550	14,000	14,000	0
RHI Income	69	150	348	198
Sale of LIFT Properties	0	540	540	0
CFCR	0	0	0	0
Landbank Contribution	0	2,000	2,000	0
Borrowing	9,306	61,438	50,428	(11,010)
Total HRA	0	0	0	0