

Agenda Item	<b>5</b>
Report No	<b>RES/35/21</b>

## THE HIGHLAND COUNCIL

**Committee:** Corporate Resources Committee

**Date:** 24<sup>th</sup> November 2021

**Report Title:** Corporate Capital Monitoring report to 30<sup>th</sup> September 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 second quarter of financial year 2021/22 together with a forecast year end outturn position.
- 1.2 Net spend on capital projects in the first half of financial year 2021/22 totalled £30.165m for the General Fund and £17.195m for the Housing Revenue Account (HRA). The General Fund net spend is made up of £58.376m of gross expenditure, offset by project specific income of £28.211m.
- 1.3 Given this is the second quarter of the financial year, the fact Covid is still having an impact and based on present expenditure trends, slippage of £12.410m is forecast for the General Fund and slippage of £11.403m for HRA.
- 1.4 Overall £103.883m of general fund capital spend (net of project specific income) is forecast for the year. Almost £80m 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 September 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 September 2021. The reprofiled budget was approved at Highland Council in January 2021, amended to include the five school projects approved at September Council. 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 £116.293m after adjusting for the 2020/21 net slippage carried forward position of £9.241m and the five school projects.
- 4.2 Overall there has been a net expenditure of £30.165m for the 6 months to 30 September 2021. This reflects the fact that significant project income has been received but that there have been delays in incurring costs. For the period £58.376m 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 £103.883m. Given this is the second quarter of the financial year, the fact Covid is still having an impact and based on present expenditure trends, this position reflects a forecast year end slippage of £12.410m. 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 HRA capital programme summary is included in **Appendix 2**. It shows expenditure to 30 September 2021 of £27.195m. The projected outturn for expenditure is £66.725m leading to a variance of £11.403m. 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 £80m of borrowing is expected to be required and for the Housing Revenue Account just over £48m 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.

Designation: Executive Chief Officer- Finance and Resources

Date: 10<sup>th</sup> November 2021

Author: Mike Mitchell, Services Finance Manager

Background Papers:

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

SERVICE: GENERAL FUND

Project Description	Actual Net Year to Date £000	2021/22 Reprofiled Budget £000	2021/22 Actual Expenditure £000	2021/22 Actual Income £000	2021/22 Estimated Outturn £000	2021/22 Acceleration / (Slippage) £000	2021/22 Overspend / (Underspend) £000
COMMUNITY AND LEISURE FACILITIES	122	678	122	0	678	0	0
SCHOOLS	9,193	45,681	23,861	(14,668)	37,681	(8,000)	0
HEALTH & SOCIAL CARE PROGRAMME	254	3,237	339	(85)	837	(2,400)	0
ICT	1,020	1,258	1,020	0	1,258	0	0
ROADS AND BRIDGES	10,024	25,403	10,264	(240)	26,200	797	0
ACTIVE TRAVEL	679	51	1,950	(1,271)	51	0	0
LIGHTING	880	2,807	880	0	2,307	(500)	0
FLOOD PREVENTION	2,435	7,769	2,455	(20)	7,775	6	0
WASTE MANAGEMENT	2,378	11,976	2,378	0	11,976	0	0
FERRIES AND HARBOURS	145	1,191	179	(34)	1,191	0	0
COMMUNITY WORKS	70	805	83	(13)	805	0	0
LEISURE FACILITIES	166	204	299	(133)	204	0	0
STRATEGIC ASSET MANAGEMENT	1,298	7,603	1,299	(1)	5,296	(2,307)	0
VEHICLES & PLANT	2,092	3,106	2,130	(38)	3,106	0	0
PLANNING & DEVELOPMENT	(4,939)	1,358	4,957	(9,896)	1,352	(6)	0
CAPITAL CONTRIBUTIONS	1,586	800	556	1,030	800	0	0
SELF FUNDING PROJECTS	2,269	(293)	4,844	(2,575)	(293)	0	0
HOUSING (NON HRA)	493	2,659	760	(267)	2,659	0	0
<b>OVERALL TOTAL</b>	<b>30,165</b>	<b>116,293</b>	<b>58,376</b>	<b>(28,211)</b>	<b>103,883</b>	<b>(12,410)</b>	<b>0</b>

Funding	Actual Net Year to Date £000	2021/22 Reprofiled Budget £000	2021/22 Estimated Outturn £000	2021/22 Acceleration / (Slippage) £000	2021/22 Overspend / (Underspend) £000
General Capital Grant	11,622	23,244	23,244	0	0
Capital Receipts	230	750	750	0	0
Borrowing	18,313	92,299	79,889	(12,410)	0
<b>TOTAL FUNDING</b>	<b>30,165</b>	<b>116,293</b>	<b>103,883</b>	<b>(12,410)</b>	<b>0</b>

<b>Capital Expenditure Monitoring Report - HRA Summary</b>
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<b>1 April - 30th September 2021</b>
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<b>Housing Revenue Account</b>	<b>Actual Year to Date £000</b>	<b>Annual Budget £000</b>	<b>Year End Estimated Net Outturn £000</b>	<b>Year End Variance £000</b>
Gross Expenditure Budget	27,195	78,128	66,725	(11,403)
<b>Funding</b>				
Sale of Council House Receipts	0	0	0	0
Government Grant Income	4,873	14,000	16,000	2,000
RHI Income	194	150	382	232
Sale of LIFT Properties	0	540	540	0
CFCR	0	0	0	0
Landbank Contribution	966	2,000	1,784	(216)
Borrowing	21,162	61,438	48,019	(13,419)
<b>Total HRA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>