

This Report will be made public on 16 June 2020



Report Number **C/20/11**

**To:** Cabinet  
**Date:** 24 June 2020  
**Status:** Non-Key Decision  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councillor David Monk, Leader and Portfolio Holder for Finance

**SUBJECT: GENERAL FUND CAPITAL PROGRAMME OUTTURN 2019/20**

**SUMMARY:** This report summarises the 2019/20 final outturn position (subject to audit) for the General Fund capital programme compared to the latest approved budget. The report also summarises the outturn position for the approved prudential indicators for capital expenditure in 2019/20.

**REASONS FOR RECOMMENDATIONS:**

- a) Cabinet is asked to agree the recommendations set out below because it needs to be kept informed of the General Fund capital programme position and take appropriate action to deal with any variance from the approved budget.
- b) CIPFA's Prudential Code for Capital Finance requires the actual prudential indicators for the financial year to be reported.

**RECOMMENDATIONS:**

1. To receive and note Report C/20/11.

## 1. INTRODUCTION AND BACKGROUND

1.1 This report compares the 2019/20 outturn (subject to audit) for the capital programme to the latest approved budget, agreed by Full Council on 19 February 2020 (minute 101 refers). Specifically, this report;-

- i) provides explanations of the key variances for schemes within the programme between the latest approved budget and the outturn position for 2019/20,
- ii) considers the impact the changes to the overall capital programme will have on the financing resources required to fund it,
- iii) summarises the 2019/20 outturn position for the approved prudential indicators for capital expenditure.

## 2. 2019/20 FINAL OUTTURN COMPARED TO THE LATEST APPROVED BUDGET

2.1 The total cost and funding of the General Fund capital programme for 2019/20 is £54,509,237 a reduction of £3,865,563 compared to the latest approved budget of £58,374,800. The following table provides a summary of the final outturn for the General Fund capital programme in 2019/20 compared to both the latest budget. Full details are shown in Appendix 1 to this report. The final outturn figures are consistent with the draft Statement of Accounts and subject to the audit of the accounts.

<b>General Fund Capital Programme 2019/20</b>	<b>Latest Budget 2019/20</b>	<b>Provisional Outturn 2019/20</b>	<b>Variance Budget to Outturn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service Units</b>			
Operations	18,471	18,459	(12)
Finance, Strategy & Corporate Services	3,740	2,712	(1,028)
Governance & Law	12	13	1
Housing	1,855	1,486	(369)
Economic Development	0	23	23
Strategic Development	34,297	31,816	(2,481)
<b>Total Capital Expenditure</b>	<b>58,375</b>	<b>54,509</b>	<b>(3,866)</b>
<b>Capital Funding</b>			
Capital Grants	(1,202)	(1,370)	(168)
External Contributions	(460)	(457)	3
Capital Receipts	(1,840)	(1,758)	82
Revenue	(1,217)	(502)	715
Borrowing	(53,656)	(50,422)	3,234
<b>Total Funding</b>	<b>(58,375)</b>	<b>(54,509)</b>	<b>3,866</b>

2.2 The following table summarises the main reasons for the net reduction in the final outturn expenditure compared to the latest budget:

<b>Variances – 2019/20 Latest Budget to Outturn</b>				
<b>1</b>		<b>Slippage and Reprofiling between 2019/20 and 2020/21</b>	<b>£'000</b>	<b>£'000</b>
	i)	Otterpool Park Land and Property Acquisitions	(2,049)	
	ii)	GF Property Health & Safety Enhancement Work	53	
	iii)	Oportunitas Phase 2 Funding	(90)	
	iv)	Greatstone Holiday Lets	(56)	
	v)	Ship Street Site Folkestone	(441)	
	vi)	Temporary Housing Accommodation	(527)	
	vii)	Lower Sandgate Road Beach Huts Capital Contribution	(72)	
	viii)	Parkmap System	38	
	ix)	On-street Pay & Display Car Park Machines	16	
	x)	Other schemes (net)	(15)	
				<b>(3,143)</b>
<b>2</b>		<b>Reclassification between capital and revenue</b>		
	i)	FHDC Transformation Project - to revenue	(944)	
	ii)	CLLD Capital Projects - from revenue	23	
	iii)	Bacas Burial Software System - to revenue	(11)	
				<b>(932)</b>
<b>3</b>		<b>Overspends</b>		
	i)	PC Replacement Programme	19	
	ii)	Otterpool Park Garden Town Delivery Mechanism	73	
	iii)	Hythe-Folkestone Beach Recharge Study (met from government grant)	16	
	iv)	Disabled Facilities Grants - increased demand met from government grant	136	
	v)	Joint FHDC/KCC Empty Home Initiatives	22	
	vi)	Other small overspends	8	
				<b>274</b>
<b>4</b>		<b>Savings</b>		
	i)	Grounds Maintenance Vehicle Replacement Programme	(33)	
	ii)	Royal Military Canal Footpath Enhancements	(13)	
	iii)	Other small savings	(19)	
				<b>(65)</b>
<b>Total change in overall capital programme for 2019/20</b>				<b>(3,866)</b>

2.3 As highlighted above, the main reason for this significant reduction in the planned capital expenditure for the year is due to the reprofiling of a number of schemes between 2019/20 and 2020/21. Cabinet is reminded that the council has an approved five year Medium Term Capital Programme through

to 31 March 2025 and a number of the schemes in it are profiled to incur expenditure over more than one financial year as part of their approved budget. Some capital schemes are more difficult to project accurately in terms of both the timing of expenditure and, in some cases, the final cost. This is particularly the case with some of the strategic property initiatives, the private sector housing schemes, including Disabled Facilities Grants, and the drawdown of funding for property acquisitions by Oportunitas Limited.

- 2.4 **Transformation Project** - The Flexible Use of Capital Receipts regulations currently allow local authorities to use qualifying capital receipts from the sale of non-HRA land and property assets to capitalise revenue expenditure on initiatives aimed at generating future savings or efficiencies. The Council's Transformation Project meets this definition. The profiled budget for the project in 2019/20 was anticipated to be met from the qualifying capital receipts described above. In particular, a qualifying capital receipt from the sale of land for housing development at Fernfield Land, Hawkinge did not materialise in 2019/20. This has required £944k of expenditure to be reclassified as revenue. To mitigate the impact of this to the General Fund, the planned revenue funding of capital expenditure has been reduced and offset by an increased use of capital receipts.

### 3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources and that new borrowing should only be used where it is prudent and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. The 2019/20 outturn for the General Fund capital programme conforms to this key principle.
- 3.2 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

<b>General Fund Capital Receipts Position Statement</b>	<b>£'000</b>
Total receipts in hand at 31 March 2020	(8,130)
Less:	
Committed towards General Fund capital expenditure	(2,169)
Committed towards HRA capital expenditure	(5,383)
Ring-fenced for specific purposes	(78)
Contingency for urgent or unforeseen capital expenditure	(500)
<b>Balance available to support new capital expenditure</b>	<b>-</b>

- 3.3 At 31 March 2020 the Council's capital receipts in hand are effectively fully committed towards the approved General Fund Medium Term Capital Programme and capital expenditure with the HRA Business Plan. Available resources to fund the slippage and reprofiling of capital expenditure to 2020/21, outlined in section 2 of the report, have been ring-fenced to meet this.

3.4 The 2019/20 capital programme requires borrowing of £50.4m with the majority of this to support the Otterpool Park project (£31.3m) and the acquisition of the Connect 38 office building in Ashford (£17.7m). The council's actual borrowing activity for the financial year will be covered in the Treasury Management Outturn Report for 2019/20 which Cabinet is due to consider later this summer. However, the Prudential Indicators outturn for 2019/20, covered below and in appendix 2 to this report, summarise the council's total debt, including that attributable to the Housing Revenue Account, at 31 March 2020 against its total borrowing need, known as the Capital Financing Requirement.

#### **4 PRUDENTIAL INDICATORS OUTTURN 2019/20**

4.1 The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. Appendix 2 compares the approved indicators with the outturn position for 2019/20. The actual figures have been taken from or prepared on a consistent basis with the Authority's draft Statement of Accounts. The Authority has complied with all the limits set as part of the approved indicators for 2019/20.

#### **5 CONCLUSIONS**

- 5.1 The outturn position for 2019/20 is consistent with the draft Statement of Accounts.
- 5.2 The main reasons for the reduction in expenditure compared to the latest approved budget is due to slippage and reprofiling of expenditure to 2019/20 and the reclassification of expenditure to revenue.
- 5.3 The outturn for the programme requires £50.422m of borrowing to support it.

#### **6 RISK MANAGEMENT ISSUES**

6.1 A summary of the perceived risks follows:

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
Capital resources not available to meet the cost of the new projects.	High	Low	Capital receipts required have already been realised for the majority of the programme.

			Schemes subject to future capital resources will only commence once these are realised. Schemes supported by grant funding will only commence once fully approved and committed by the relevant body.
Cost of new projects may exceed the estimate.	High	Medium	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.

## 7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 7.1 Legal Officer's Comments (NE)

There are no legal implications arising directly out of this report.

### 7.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services. There are no further comments to add.

### 7.3 Diversities and Equalities Implications

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

## 8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

*Lee Walker, Group Accountant*

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The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1 – General Fund Capital Programme 2019/20 Outturn

Appendix 2 – Prudential Indicators Outturn Report 2019/20