

This Report will be made public on 7 June 2021



Report Number **C/21/08**

To: Cabinet
Date: 23 June 2021
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 2020/21

SUMMARY: This report summarises the 2020/21 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 2020/21.

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/21/08.

1. INTRODUCTION AND BACKGROUND

1.1 This report compares the 2020/21 outturn (subject to audit) for the capital programme to the latest approved budget, agreed by Full Council on 24 February 2021 (minute 25 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 2020/21,
- ii) considers the impact the changes to the overall capital programme will have on the financing resources required to fund it,
- iii) summarises the 2020/21 outturn position for the approved prudential indicators for capital expenditure.

2. 2020/21 FINAL OUTTURN COMPARED TO THE LATEST APPROVED BUDGET

2.1 The total cost and funding of the General Fund capital programme for 2020/21 is £17,614,951 a reduction of £3,257,949 compared to the latest approved budget of £20,872,900. The following table provides a summary of the final outturn for the General Fund capital programme in 2020/21 compared 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.

General Fund Capital Programme 2020/21	Latest Budget 2020/21	Provisional Outturn	Variance Budget to Outturn
	£'000	£'000	£'000
Service Units			
Operations	1,781	1,408	(373)
Corporate Services	2,106	2,179	73
Housing	1,010	810	(200)
Transformation & Transition	2,599	1,209	(1,390)
Economic Development	0	371	371
Place	13,377	11,638	(1,739)
Total Capital Expenditure	20,873	17,615	(3,258)
Capital Funding			
Capital Grants	(1,753)	(2,049)	(296)
External Contributions	(196)	(871)	(675)
Capital Receipts	(2,010)	(1,140)	870
Revenue	(4,226)	(3,194)	1,032
Borrowing	(12,688)	(10,361)	2,327
Total Funding	(20,873)	(17,615)	3,258

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

Variations – 2020/21 Latest Budget to Outturn			
1	Reprofiling between 2020/21 and 2021/22	£'000	£'000
i)	General Fund Property - Health and Safety Enhancements	(13)	
ii)	Public Toilets Enhancement Programme	3	
iii)	Ship Street Site Folkestone	(161)	
iv)	*On Street Parking Pay & Display Machines	4	
v)	Electric Vehicles Charging Points	(40)	
vi)	*Oportunitas Phase 2	80	
vii)	Land at Otterpool Lane	(314)	
viii)	*Mountfield Business Hub	(297)	
ix)	*Mountfield Employment Land	(568)	
x)	*Waste Contract - Acquisitions of Vehicles and Equipment	(608)	
xi)	*Temporary Accommodation	(200)	
xii)	Biggins Wood Site Land Remediation Works	(100)	
xiii)	Biggins Wood Commercial Development	9	
xiv)	*Princes Parade Leisure Centre	(110)	
xv)	Coast Protection, Coronation Parade Folkestone	40	
xvi)	*Otterpool Park Masterplanning Costs	(839)	
xvii)	*Lower Sandgate Rd Beach Huts	(20)	
xviii)	Other small changes	3	
			(3,131)
2	Reclassification between capital and revenue		
i)	Community Led Local Development ERDF Capital Projects (externally funded)	371	
			371
3	Overspends		
i)	Lifeline Capitalisation	4	
ii)	Otterpool Park Delivery Costs	16	
iii)	Disabled Facilities Grants (externally funded)	36	
iv)	Other small overspends	10	
			66
4	Savings		
i)	Beach Management 2020-2021 (externally funded)	(89)	
ii)	Transformation Project costs	(416)	
iii)	Empty Home Initiatives	(26)	
iv)	Greatstone dune management & study (externally funded)	(10)	
v)	Home Safe Loans	(10)	
vi)	Server Replacement Programme	(7)	

vii) Other small savings	(6)
	<u>(564)</u>
Total change in overall capital programme for 2020/21	<u>(3,258)</u>

*denotes scheme in progress and sum fully committed in 2021/22

- 2.3 The outturn for 2020/21 of £17.615m is £1.510m lower than the previous projected position of £19.125m reported to Cabinet on 17 March 2021 (minute 91 refers), which was based on information at 31 January 2021. The main reason for this difference is the reprofiling of both the Mountfield Employment Land scheme (£568k) and the Otterpool Park Masterplanning costs (£839k) to 2021/22, neither of which were reflected in the previous projection. The Otterpool Park Masterplanning costs are fully committed and the masterplanning continues at pace.
- 2.4 As highlighted in 2.2 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 2020/21 and 2021/22. The majority of the sum being reprofiled to 2021/22 is for schemes in progress where the sum is fully committed. Cabinet is reminded that the council has an approved five year Medium Term Capital Programme through to 31 March 2026 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.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 As summarised in section 2 of this report, the Council has used £10.361m of prudential borrowing towards financing its capital expenditure incurred in 2020/21. The capital financing costs from the borrowing have been included in the Council's future budget projections. The capital schemes in 2020/21 supported by prudential borrowing are:

	£'000
i) Otterpool Park schemes	5,412
ii) Waste Contract Vehicles	2,323
iii) Oportunitas Phase 2 funding	2,080
iv) Biggins Wood Commercial Development	9
v) Greatstone Holiday Lets	17
vi) Lower Sandgate Road Beach Huts	520
Total	<u>10,361</u>

- 3.2 The council's actual borrowing activity for the financial year will be covered in the Treasury Management Outturn Report for 2020/21 which Cabinet is due to consider later this summer. However, the Prudential Indicators outturn for 2020/21, 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 2021 against its total borrowing need, known as the Capital Financing Requirement.

- 3.3 The £3.194m of revenue resources used to fund capital expenditure in the current financial year, summarised in section 2.1 of the report, is reflected in the General Fund outturn report for 2020/21, due to be considered by Cabinet as part of this agenda.
- 3.4 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

General Fund Capital Receipts Position Statement	£'000
Total receipts in hand at 31 March 2021	(8,435)
Less:	
Committed towards General Fund capital expenditure	(2,130)
Committed towards HRA capital expenditure	(4,614)
Ring-fenced for specific purposes	(78)
Contingency for urgent or unforeseen capital expenditure	(500)
Balance available to support new capital expenditure	<u>1,113</u>

- 3.5 Of the £1.1m in available General Fund capital receipts at 31 March 2021, £0.9m can be used towards qualifying efficiency costs under the government's Flexible Use of Capital Receipts guidance. In 2020/21 the capitalised Transformation Project cost of £584k was met from qualifying capital receipts held under this guidance.
- 3.6 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.

4 PRUDENTIAL INDICATORS OUTTURN 2020/21

- 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 2020/21. 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 2020/21.

5 CONCLUSIONS

- 5.1 The outturn position for 2020/21 is consistent with the draft Statement of Accounts.

- 5.2 The main reason for the reduction in expenditure compared to the latest approved budget is due to slippage and reprofiling of expenditure to 2020/21.
- 5.3 The outturn for the programme requires £10.361m of borrowing to support it.

6 RISK MANAGEMENT ISSUES

- 6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
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 (NM)

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.

7.4 **Communications (KA)**

There are no communications implications arising directly from this report

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, Capital & Treasury Senior Specialist

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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 2020/21 Outturn

Appendix 2 – Prudential Indicators Outturn Report 2020/21