

This Report will be made public on 8 June 2022



Report Number **C/22/12**

To: Cabinet
Date: 16 June 2022
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 2021/22

SUMMARY: This report summarises the 2021/22 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 2021/22.

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/22/12.

1. INTRODUCTION AND BACKGROUND

1.1 This report compares the 2021/22 outturn (subject to audit) for the capital programme to the latest approved budget, agreed by Full Council on 10 February 2022 (minute 57 refers). Specifically, this report;-

- i) provides explanations of the key variances for schemes within the programme between the latest approved profiled budget and the outturn position for 2021/22,
- ii) considers the impact the changes to the overall capital programme will have on the financing resources required to fund it,
- iii) summarises the 2021/22 outturn position for the approved prudential indicators for capital expenditure.

2. 2021/22 FINAL OUTTURN COMPARED TO THE LATEST APPROVED BUDGET

2.1 The total cost and funding of the General Fund capital programme for 2021/22 is £14,738,580 a reduction of £8,067,420 compared to the latest approved budget of £22,806,000. The following table provides a summary of the final outturn for the General Fund capital programme in 2021/22 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 2021/22	Latest Profiled Budget	Provisional Outturn	Variance Budget to Projection
<u>Service Units</u>	£'000	£'000	£'000
Operations	4,516	2,954	(1,562)
Corporate Services	1,416	1,124	(292)
Housing	1,587	1,630	43
Place	14,662	8,965	(5,697)
Governance, Law and Service Delivery	0	22	22
Economic Development	625	44	(581)
Total Capital Expenditure	22,806	14,739	(8,067)
<u>Capital Funding</u>			
Capital Grants	(5,652)	(4,558)	1,094
External Contributions	(1,188)	(1,068)	120
Capital Receipts	(884)	(553)	331
Revenue	(747)	(933)	(186)
Borrowing	(14,335)	(7,627)	6,708
Total Funding	(22,806)	(14,739)	8,067

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

Variances – 2021/22 Latest Profiled Budget to Provisional Outturn			
1	Reprofiling between 2021/22 and 2022/23	£'000	£'000
i)	Area Officer Vans	(30)	
ii)	Biggins Wood Site Land Remediation Works	(120)	
iii)	Electric Vehicle Charging Points	(40)	
iv)	Coast Drive Seafront Development	10	
v)	Coastal Park Play Equipment (FPPG Charity)	(62)	
vi)	Coastal Park Toilet and Concession	(147)	
vii)	East Cliff Landfill Protection (FPPG Charity)	(30)	
viii)	Hawkinge Depot Upgrade	(75)	
ix)	Units 1-5 Learoyd Road New Romney	(196)	
x)	Coast Protection, Coronation Parade Folkestone	(19)	
xi)	Coast Protection - Hythe to Folkestone Beach Management	(42)	
xii)	Public Toilet Enhancement	(94)	
xiii)	Veolia Waste Contract	(29)	
xiv)	Otterpool Park	(5,029)	
xv)	Temporary Accommodation	(107)	
xvi)	Home Safe Loans	(48)	
xvii)	Princes Parade Leisure Centre	(711)	
xviii)	Mountfield Road Employment Land	(478)	
xix)	Community Led Local Development ERDF Capital Projects (externally funded)	(581)	
xx)	Electoral Management System	22	
xxi)	Oportunitas Loan and Share Capital Phase 2	(300)	
xxii)	Ship Street Site Folkestone	(10)	
			(8,115)
2	Overspends		
i)	Lifeline Capitalisation	23	
ii)	Disabled Facilities Grants (externally funded)	203	
iii)	Other small overspends	10	
			235
3	Underspends		
i)	Connect 38 CAT A Works	(5)	
ii)	General Fund Property - Health and Safety Enhancements	(3)	

iii)	Empty Home Initiatives	(5)
iv)	Greatstone dune management & study (externally funded)	(10)
v)	Coronation Parade Annual Monitoring	(4)
vi)	Mountfield Business Hub - land value adjustment	(160)
		(187)
	Total change in overall capital programme for 2021/22	(8,067)

2.3 The outturn for 2021/22 of £14.739m is broadly in line with the previous projected position of £14.546m reported to Cabinet on 26 April 2022 (minute 101 refers) which was based on information at 31 January 2022.

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 2021/22 and 2022/23. Some capital schemes are more difficult to project accurately in terms of the timing of expenditure and, in some cases, the final cost. This is particularly the case with some of the property related initiatives where external factors such as negotiations over price, conveyancing and planning can have an impact on the timing and final cost of a scheme. The Council remains on track to deliver the schemes within its overall approved Medium Term Capital Programme.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

3.1 As summarised in section 2 of this report, the Council has used £7.627m of prudential borrowing towards financing its capital expenditure incurred in 2021/22. The capital financing costs from the borrowing have been included in the Council's future budget projections. The capital schemes in 2021/22 supported by prudential borrowing are:

	£'000
i) Otterpool Park schemes	3,726
ii) Waste Contract Vehicles	1,455
iii) Oportunitas Phase 2 funding	1,040
iv) Temporary Accommodation project	146
v) Princes Parade scheme	1,197
vi) Other schemes	63
Total	7,627

3.2 The council's actual borrowing activity for the financial year will be covered in the Treasury Management Outturn Report for 2021/22 which Cabinet is due to consider later this summer. However, the Prudential Indicators outturn for 2021/22, 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 2022 against its total borrowing need, known as the Capital Financing Requirement.

- 3.3 The £0.933m 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 2021/22, 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 2022	(9,058)
Less:	
Committed towards General Fund capital expenditure	(2,871)
Committed towards HRA capital expenditure	(4,955)
Ring-fenced for specific purposes	(78)
Contingency for urgent or unforeseen capital expenditure	(500)
Balance available to support new capital expenditure	654

- 3.5 **Flexible Use of Capital Receipts Guidance** – The Department for Levelling Up Housing and Communities (DLUHC) capitalisation direction currently allows local authorities to use capital receipts from non-HRA asset sales to meet one-off revenue costs on schemes designed to reduce future revenue costs and/or transform service delivery. No qualifying expenditure was incurred by the Council during 2021/22 for this, however £0.971m of qualifying capital receipts are held at 31 March 2022 of which £0.549m is committed to be spent in 2022/23 and is reflected in the table at 3.4, above.
- 3.6 Available resources to fund the slippage and reprofiling of capital expenditure to 2022/23, outlined in section 2 of the report, have been ring-fenced to meet this.

4 PRUDENTIAL INDICATORS OUTTURN 2021/22

- 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 2021/22. 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 2021/22.

5 CONCLUSIONS

- 5.1 The outturn position for 2021/22 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 2022/23.

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 (JW)

There are no communications implications arising directly from this report

7.5 Climate Change Implications (OF) [*Pilot reporting period*]

There are no climate change implications arising directly from this report. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

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
Tel: 01303 853593. e-mail :lee.walker@folkestone-hythe.gov.uk*

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

None

Appendices:

Appendix 1 – General Fund Capital Programme 2021/22 Outturn

Appendix 2 – Prudential Indicators Outturn Report 2021/22