

This Report will be made public on 11 June 2019



Report Number **C/19/01**

To: Cabinet
Date: 19 June 2019
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Assistant Director Finance, Customer & Support Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND CAPITAL PROGRAMME OUTTURN 2018/19

SUMMARY: This report summarises the 2018/19 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 2018/19.

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. (check latest requirements)

RECOMMENDATIONS:

1. To receive and note Report C/19/01.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report compares the 2018/19 outturn (subject to audit) for the capital programme to the latest approved budget, agreed by Full Council on 20 February 2019 (minute 77 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 2018/19,
 - ii) considers the impact the changes to the overall capital programme will have on the financing resources required to fund it,
 - iii) summarises the 2018/19 outturn position for the approved prudential indicators for capital expenditure.

2. 2018/19 FINAL OUTTURN COMPARED TO THE LATEST APPROVED BUDGET

- 2.1 The total cost and funding of the General Fund capital programme for 2018/19 is £5,399,000 a reduction of £2,347,000 compared to the latest approved budget of £7,746,000. The latest budget includes £30,000 provided for the purchase of new vehicles for the Area Officers. The following table provides a summary of the final outturn for the General Fund capital programme in 2018/19 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.

General Fund Capital Programme 2018/19	Latest Budget 2018/19	Final Outturn 2018/19	Variance Budget to Outturn
	£'000	£'000	£'000
Service Units			
Environment & Corporate Assets	846	534	(312)
Governance, Law & Regulatory Services	119	105	(14)
Finance, Customer & Support Services	1,932	933	(999)
Strategy, Performance & Communications	1,626	1,532	(94)
Strategic Development Projects	3,223	2,295	(928)
Total General Fund Capital Expenditure	7,746	5,399	(2,347)
Capital Funding			
Capital Grants	(1,004)	(975)	29

General Fund Capital Programme 2018/19	Latest Budget 2018/19	Final Outturn 2018/19	Variance Budget to Outturn
	£'000	£'000	£'000
External Contributions	(2)	(9)	(7)
Capital Receipts	(2,119)	(1,033)	1,086
Revenue	(1,071)	(757)	314
Borrowing	(3,550)	(2,625)	925
Total Funding	(7,746)	(5,399)	2,347

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

Variances – 2018/19 Latest Budget to Outturn				
1		Slippage and Reprofiling between 2018/19 and 2019/20	£'000	£'000
	i)	FHDC Transformation Project	(784)	
	ii)	Ship Street Site, Folkestone	(441)	
	iii)	Otterpool Park Garden Town Delivery Vehicle	(281)	
	iv)	Oportunitas Phase 1 Loan Funding	(200)	
	v)	Corporate Property Development Projects	(161)	
	vi)	Grounds Maintenance Replacement Vehicles	(158)	
	vii)	Greatstone Holiday Lets Scheme	(99)	
	viii)	Hythe Beach Management coast protection scheme	(98)	
	ix)	Private Sector Housing – Temporary Accommodation Scheme	(65)	
	x)	Private Sector Housing – Empty Homes Initiative	(62)	
	xi)	Corporate Property Health and Safety Enhancements	(31)	
	xii)	Area Officer Vans & Dog Warden Vehicle	(42)	
	xiii)	Otterpool Park Property and Land Acquisitions	47	
	xiv)	Other net changes	(18)	
				(2,393)
2		Other Changes		
	i)	Disabled Facilities Grants and Loans – increased demand met from government grant	72	
	ii)	Home Safe Loans - reduction in anticipated demand	(39)	
	iii)	Princes Parade – additional costs for the planning application process	10	
	ii)	Other net changes	3	

				46
		Total change in overall capital programme for 2018/19		(2,347)

- 2.3 As highlighted above, the main reason for this significant reduction in the actual against planned capital expenditure for the year is due to the reprofiling of a number of schemes to 2019/20. Cabinet is reminded that the council has an approved five year Medium Term Capital Programme through to 31 March 2024 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.

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. 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. Borrowing is only to be used to support schemes expected to generate a net revenue saving and/or future capital receipt. The 2018/19 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:

General Fund Capital Receipts Position Statement	£'000
Total receipts in hand at 31 March 2019	(8,974)
Less:	
Committed towards General Fund capital expenditure	1,993
Committed towards HRA capital expenditure	4,691
Ring-fenced for specific purposes	1,385
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new capital expenditure	(405)

- 3.3 Resources to fund the slippage and reprofiling of capital expenditure to 2019/20, outlined in section 2 of the report, have been ring-fenced to meet this.
- 3.4 Almost half the cost of the 2018/19 capital programme is to be met from borrowing (£2.625m) with the majority of this to support the Otterpool Park project. The council's actual borrowing activity for 2018/19 will be covered in the Treasury Management Outturn Report for 2018/19 which Cabinet is due to consider later this summer. However, the Prudential Indicators outturn for 2018/19, covered below and in appendix 2 to this

report, summarises the council's total debt, including that attributable to the Housing Revenue Account, at 31 March 2019 against its total borrowing need, known as the Capital Financing Requirement.

4 PRUDENTIAL INDICATORS OUTTURN 2018/19

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 2018/19. 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 2018/19.

5 CONCLUSIONS

- 5.1 The outturn position for 2018/19 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 2019/20.
- 5.3 The outturn for the programme requires £2.625m 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 (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 2018/19 Outturn

Appendix 2 – Prudential Indicators Outturn Report 2018/19