

Committee(s): Finance Committee	Date(s): 21 July 2020
Subject: Capital and Supplementary Revenue Project Outturn 2019/20 and Prudential Indicators	Public
Report of: Chamberlain	For Information
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Summary

This report provides details of the 2019/20 outturn for capital and supplementary revenue projects (SRPs) together with the Prudential Indicators for the City Fund. Actual capital and SRP expenditure in 2019/20 amounted to £152.8m, a net £27.6m less than the approved budget of £180.4m. This reduction was largely due to the rephasing of expenditure to later years.

The CIPFA Prudential Code provides the statutory framework for ensuring that capital expenditure is affordable, prudent and sustainable and requires the calculation of certain prudential indicators in respect of City Fund capital activities only. The 2019/20 actual indicators, drawn from the end of year balance sheet, highlight that the City Fund held no external debt as at 31 March 2020.

Recommendation

Members are asked to note the contents of this report.

Main Report

Background

1. In March each year, the Court of Common Council approves the Capital and SRP budgets as part of the annual budget setting process.
2. Chief Officers, in liaison with the Town Clerk's Programme Office, provide regular reports on the progress of individual schemes against milestones.
3. Capital expenditure generally results in an increase in asset values and typically relates to acquisitions and enhancements, whereas supplementary revenue projects are one-off items which do not fulfil the capital criteria e.g. feasibility and option appraisal costs, major cyclical repairs and maintenance.
4. The capital controls which apply to the City Fund restrict the use of capital reserves (derived from the sale of assets) for financing of capital expenditure (or repayment of debt). In this context, grants to third parties for capital

purposes, such as the City Fund contribution to the Museum of London for the relocation project, qualifies as capital expenditure. Crossrail contributions are also included as project items.

5. The Court of Common Council has delegated to me authority to determine the methods of financing capital and supplementary revenue project expenditures. In making such decisions consideration is taken of the strategic and tactical interests of the three funds.
6. The purpose of this report is to provide details of the 2019/20 actual expenditure against the budgets approved by the Court of Common Council in March and to set out the actual Prudential Indicators for the City Fund.

2019/20 Outturn

7. Significant items of Capital and Supplementary Revenue Project expenditure in 2019/20 include the acquisition of an investment property for Bridge House Estates and investment property refurbishments, continued progression of the major projects and expenditure on operational assets including security enhancements, highways, structures and public realm improvements, HRA cyclical works and new construction, police IT and decant accommodation, enhancements to the Central Criminal Court and the schools.
8. The total expenditure incurred in 2019/20 was £152.8m which was £27.6m less than the approved capital and SRP budgets of £180.4m. A breakdown of expenditure analysed by fund is set out below:

2019/20 Actual Capital and Supplementary Revenue Expenditure and Financing							
	City Fund	City's Cash	Bridge House Estates	Total	March 2020 Approved	Variation	
	£m	£m	£m	£m	£m	£m	£m
Capital/SRP Expenditure							
Investment Property	1.3	9.3	41.4	52.0	59.7	-	7.7
Major Projects	17.5	19.3	-	36.8	35.9	-	0.9
Operational	53.6	10.1	0.3	64.0	84.8	-	20.8
	72.4	38.7	41.7	152.8	180.4	-	27.6
Funded by							
External Grants and Contributions	20.8	1.2	0.1	22.1	27.9	-	5.8
Internal Resources	51.6	37.5	41.6	130.7	152.5	-	21.8
	72.4	38.7	41.7	152.8	180.4	-	27.6
March 2020 Approved	90.4	41.5	48.5	180.4			
Variation	- 18.0	- 2.8	- 6.8	- 27.6			

9. The following table analyses the variations between budgeted and actual expenditures and the resulting impact on financing in 2019/20.

Analysis of Variations				
	City	City's	Bridge	Total
	Fund	Cash	House	
			Estates	
<u>Expenditure Variations</u>	£m	£m	£m	£m
Net Rephasing of Expenditure to later years	- 17.5	- 2.7	- 6.5	- 26.7
Cost Increases/Savings(-)	- 0.5	- 0.1	- 0.3	- 0.9
	- 18.0	- 2.8	- 6.8	- 27.6
<u>Impact of Variations on Financing</u>				
External contributions	- 6.7	0.7	0.1	- 5.9
Internal Resources	- 11.3	- 3.5	- 6.9	- 21.7
Total Reductions in Financing	- 18.0	- 2.8	- 6.8	- 27.6

The net variation of £27.6m is largely comprised of deferred expenditure of £26.7m, together with net savings of £0.9m.

10. The deferred expenditure of £26.7m relates mainly to the following areas:

Highways and public realm - £6.2m
Investment property refurbishments £4.9m
Security schemes - £4.5m
Housing schemes - £3.8m
Police IT schemes - £3.5m
Investment Property Acquisition £2.7m.

These deferred amounts relate to approved budgets so the expenditure is expected to be incurred in 2020/21, subject to the impact of any review of future spend on the capital programme.

11. The net cost savings of £0.9m relate to minor underspends across various schemes.
12. Of the £27.6m underspend, £5.9m was to be funded from external contributions and £21.7m from internal sources.

Prudential Indicators

13. The CIPFA Prudential Code¹ provides a framework for ensuring that capital expenditure and financing (in particular borrowing) is affordable, prudent and sustainable, and requires the calculation and monitoring of certain prudential indicators in respect of City Fund capital activities.
14. In addition to setting indicators for the forthcoming year during each budget cycle, the Code requires authorities to calculate certain indicators drawn from the end of year balance sheet. The appendix contains the actual indicators for 2019/20, including commentaries which highlight, in particular, that there was no underlying need to borrow externally.

15. The City Fund total expenditure figures used for the indicators vary from the figures in the tables above as the indicators relate only to capital, not supplementary revenue expenditure.
16. In the context of borrowing, it should be noted that City's Cash had drawn down a loan of £250m as at 31 March 2020 to support 'green' spend on major projects.

Appendix: 2019/20 Actual Prudential Indicators

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