

Committee(s): Finance Committee	Date(s): 20 July 2021
Subject: Capital and Supplementary Revenue Project Outturn 2020/21 for City Fund and City's Cash and Prudential Indicators	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	Capital and SRP projects impact across most areas of service delivery and property investment
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
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Summary

This report provides a summary of the 2020/21 outturn for Capital and Supplementary Revenue Projects (SRPs) for City Fund and City's Cash, together with the Prudential Indicators for the City Fund. In accordance with changes arising from the governance review, the Bridge House Estates figures have been excluded and will be reported direct to the Bridge House Board.

Actual capital and SRP expenditure in 2020/21 amounted to £153.7m, a net £107.8m less than the approved programmes of £261.5m. This reduction was largely due to the rephasing of expenditure to later years.

The Resource Allocation Sub Committee has agreed financial disciplines which include that central project funding may be withdrawn for schemes that slip by more than one year. A review is underway to identify any centrally funded schemes that are not progressing with a view to reallocating the funding to higher priority projects - to be brought to members after the recess.

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 2020/21

actual indicators, drawn from the end of year balance sheet, highlight that the City Fund held no external debt as at 31 March 2021.

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 programmes 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/new build 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 Court of Common Council has delegated to the Chamberlain authority to determine the methods of financing capital and supplementary revenue project expenditure. In making such decisions consideration is taken of the strategic and tactical interests of the three funds.
5. The purpose of this report is to provide a summary of the 2020/21 actual expenditure for City Fund and City's Cash against the programmes approved by the Court of Common Council in March and to set out the actual Prudential Indicators for the City Fund.

2020/21 Outturn

6. Significant items of Capital and Supplementary Revenue Project expenditure in 2020/21 include investment property acquisitions and refurbishments, continued progression of the major projects and expenditure on operational assets including highways and public realm improvements, HRA cyclical works and new construction, Police IT and decant accommodation, enhancements to the Central Criminal Court and the final stages of the Freemen's School Main House refurbishment works.
7. The total expenditure incurred in 2020/21 was £153.7m which was £107.8m less than the approved capital and SRP programmes of £261.5m. A breakdown of expenditure analysed by fund is set out below:

2020/21 Actual Capital and Supplementary Revenue Project Expenditure and Financing						
		City Fund	City's Cash	Total	March 2021 Approved	Variation
		£m	£m	£m	£m	£m
Capital/SRP Expenditure						
	Investment Property	2.1	28.7	30.8	39.2	- 8.4
	Major Projects	21.0	32.7	53.7	113.0	- 59.3
	Operational	50.8	18.4	69.2	109.3	- 40.1
		73.9	79.8	153.7	261.5	- 107.8
Funded by						
	External Grants and Contributions	19.5	1.0	20.5	42.1	- 21.6
	Internal Resources	54.4	78.8	133.2	219.4	- 86.2
		73.9	79.8	153.7	261.5	- 107.8
	March 2021 Approved	127.3	134.2	261.5		
	Variation	- 53.4	- 54.4	- 107.8		

8. The following table analyses the variations between the approved capital/ SRP programmes and actual expenditures, together with the resulting impact on financing in 2020/21.

Analysis of Variations				
		City Fund	City's Cash	Total
		£m	£m	£m
Expenditure Variations				
	Net Rephasing of Expenditure to later years	- 48.7	- 54.2	- 102.9
	Net Savings	- 4.7	- 0.2	- 4.9
		- 53.4	- 54.4	- 107.8
Impact of Variations on Financing				
	External contributions	- 22.3	0.7	- 21.6
	Internal Resources	- 31.1	- 55.1	- 86.2
		- 53.4	- 54.4	- 107.8

The net underspend of £107.8m is largely comprised of deferred expenditure of £102.9m, together with net savings of £4.9m.

9. This magnitude of deferred expenditure is unusually high (39% compared with a more typical level of 15% in recent years). The major projects have been subject to delays which account for a significant proportion of the underspend (£59.3m or 22%). The ongoing nature of the pandemic has also caused delays to project programmes, although this cannot be easily quantified.
10. The deferred expenditure of £102.9m relates mainly to the following areas:

- Major Projects – 59.3m
- Highways and public realm - £9.3m
- Investment property - £8.3m
- Housing schemes - £15.6m
- Police schemes - £4.9m
- Freemen's School Masterplan - £3.9m

It should be noted that such deferred expenditure impacts on cash flows but does not reduce the overall cost or funding requirement.

11. The Resource Allocation Sub Committee has agreed financial disciplines which include that central project funding may be withdrawn for schemes that slip by more than one year. A review is underway to identify any centrally funded schemes that are not progressing with a view to reallocating funding to higher priority projects - to be brought to members after the recess.
12. The net savings of £4.9m relate mainly to HRA schemes. Of the £4.9m, £4.4m was to be funded from external contributions and £0.5m from internal sources.

Prudential Indicators

13. The CIPFA Prudential Code 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 2020/21, 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 also be noted that City's Cash has previously drawn down a loan of £250m to support 'green' spend on major projects.

Appendix: 2020/21 Actual Prudential Indicators

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