

Report To:	STRATEGIC PLANNING AND CAPITAL MONITORING PANEL
Date:	22 June 2023
Executive Member / Reporting Officer:	Cllr Jacqueline North –First Deputy (Finance, Resources & Transformation) Ashley Hughes – Director of Resources
Subject:	2022/23 CAPITAL OUTTURN
Report Summary:	The report sets out the capital outturn position for the 2022/23 financial year. The detail of this monitoring report is focused on the budget and expenditure for fully approved projects in the 2022/23 financial year. Capital Programme expenditure for the year was £21.366m against an approved budget of £24.339m
Recommendations:	Members are recommended to: <ul style="list-style-type: none"> 1) Note the Capital Outturn position 2) Approve the £2.998m slippage on the Capital Programme for 2022/23 and its proposed re-profiling into the current 2023-24 financial year. 3) Note the funding position of the Capital Programme. 4) Note the changes to the Capital Programme. 5) Note the updated Prudential Indicator position.
Policy Implications:	Budget is allocated in accordance with Council Policy.
Financial Implications:	As contained within the report.
(Authorised by the Section 151 Officer & Chief Finance Officer)	
Legal Implications: (Authorised by the Borough Solicitor)	As part of the Council's Statutory duty to deliver a balanced budget it is vital for the capital expenditure position is regularly monitored so as to review the budgetary position and ensure that the priorities of the Council are being delivered. Such monitoring is all the more critical given the current financial climate and to ensure that expenditure does not exceed the available resources. Members need to be comfortable they both understand and agree any changes or movements in the budget in order to deliver a balanced budget as required by law.
Risk Management:	Associated details are specified within the presentation. Failure to properly manage and monitor the Council's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in future years to recover the budget position.
Background Papers:	Background papers relating to this report can be inspected by

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1. SUMMARY

- 1.1 This report sets out the capital outturn position for the 2022/23 financial year. The detail of this monitoring report is focused on the budget and expenditure for fully approved projects in the 2022/23 financial year. There are a further £4.7m of earmarked schemes.
- 1.2 Capital Programme expenditure for the year was £21.366m against an approved budget of £24.339m.

2. CAPITAL PROGRAMME

- 2.1 The capital outturn for 2022/23 is £21.366m against an approved budget of £24.339m. This is shown in Table 9 below:

Table 1 – Capital Expenditure by Service Area

	2022/23 Budget	Outturn	Outturn Variation	Slippage	Outturn Variation after slippage
	£000	£000	£000	£000	£000
Place: Property, Development and Planning					
Investment & Development	5,183	4,481	(702)	(495)	(207)
Corporate Landlord	3,807	2,701	(1,106)	(517)	(589)
Vision Tameside	263	190	(73)	(73)	0
Active Tameside	71	0	(71)	(71)	0
Place: Operations and Neighbourhoods					
Engineers	5,346	5,098	(248)	(248)	0
Environmental Services	888	503	(385)	(437)	52
Transport (Fleet)	162	161	(1)	0	(1)
Stronger Communities	16	17	1	0	1
Children's					
Education	6,555	5,403	(1,152)	(1,917)	765
Children	85	43	(42)	(42)	0
Finance & IT					
Digital Tameside	65	41	(24)	0	(24)
Adults					
Adults	1,898	2,700	802	802	0
Governance					
Governance	0	28	28	0	28
Total	24,339	21,366	(2,973)	(2,998)	25

- 2.2 Table 1 provides a high level summary of capital expenditure by service area. Services have spent £2.973m less than the current capital budget for the year. This variation is spread across various directorates, the major variations are detailed below in section 2.11. Due to the delays to schemes, as detailed in section 2.11, services have requested slippage of £2.998m from 2022/23 into 2023/24.

Capital Financing

- 2.3 The Council has limited resources available to fund Capital Expenditure. On 29 September 2021, Executive Cabinet approved the allocation of the remaining capital reserves to immediate priorities. No further capital projects will be approved in the short term unless the schemes are fully funded from external sources. Any additional priority schemes that are put

forward for consideration and that are not fully grant funded will need to be evaluated, costed and subject to separate Member approval. There will be a revenue cost for any new capital schemes that are not fully funded from alternative sources and the implications of this will need to be carefully considered, given the on-going pressures on the revenue budget.

- 2.4 A number of schemes identified as priority for future investment include revenue generation or invest to save elements, where borrowing may be appropriate to facilitate investment. Borrowing to fund Capital Investment has revenue consequences as budget is required to fund interest and repayment of loans, and therefore any such schemes will need to be subject to full business cases. The Council will need a sustainable financial plan for the revenue budget before borrowing commitments are agreed.
- 2.5 The current capital programme (2022 – 2025) includes £19.040m of schemes which will need to be funded from Capital Receipts and existing Capital Reserves; £14.340m is required for approved schemes and a further £4.700 for earmarked schemes. The current programme assumes £15.410m can be achieved in Capital Receipts from assets approved for disposal and therefore £3.630m would be required from Capital Reserves.

Table 2: Financing of the Full Capital Programme

Funding Source	Approved Schemes			Earmarked Schemes	Total
	22/23	Future Years	Total		
	£000	£000	£000		
Grants & Contributions	18,014	69,617	87,631	0	87,631
Revenue Contributions	492	324	816	0	816
Prudential Borrowing	166	2,601	2,767	0	2,767
Receipts & Reserves	5,667	8,673	14,340	4,700	19,040
Total	24,339	81,215	105,554	4,700	110,254

- 2.6 There was £21.366m of capital spend in 2022/23. Table 3 below, details how the spend was financed, by Service Area.

Table 3: 2022/23 Capital Spend by Service Area

Financing for 2022/23	Grants and Contributions	Revenue Contributions	Prudential Borrowing	Reserves & Receipts	Total
	£000	£000	£000	£000	£000
Place: Property, Development and Planning					
Investment and Development	2,118	0	0	2,364	4,481
Corporate Landlord	2,514	0	0	188	2,701
Vision Tameside	0	0	0	190	190
Active Tameside	0	0	0	0	0
Place: Operations and Neighbourhoods					
Engineers	4,321	0	0	777	5,098
Environmental Services	22	44	0	437	503
Transport	0	161	0	0	161
Stronger Communities	0	1	0	16	17
Children's					
Education	4,553	849	0	0	5,403
Children	43	0	0	0	43
Finance					
Digital Tameside	0	4	36	1	41
Adults					
Adults	2,700	0	0	0	2,700
Governance					
Governance	0	0	0	28	28
Total	16,271	1,058	36	4,001	21,366

2.7 Capital Receipts realised in year totalled £0.458m and were fully utilised against the capital spend. Therefore £3.543m was funded from Capital Reserves.

Capital Reserves

2.8 There were Capital Reserves available of £4.974m at the end of the financial year, of this £3.448m related to reserves held for specific schemes, Godley Green Garden Village and Stalybridge Heritage Action Zone. The remaining £1.526m was held in a general capital reserve.

2.9 £2.039 of the specific capital reserves were used to fund expenditure on the relevant schemes. £1.786m of the general capital reserve was used to fund the remaining spend, leaving only £0.022m available for future years spend.

	Available Capital Reserves	Applied 22/23	Balance Remaining
	£000	£000	£000
Specific Capital Reserves	3,448	2,039	1,409
General Capital Reserve	1,526	1,786	22
Total Capital Reserves	4,974	3,543	1,431

2.10 Due to the low level of capital receipts achieved in 2022/23, it has had a significant effect on the level of reserves available to fund capital expenditure going forward. Approved and earmarked schemes already in the capital programme for future years are reliant on £14.838m of capital receipts and reserves and therefore securing capital receipts will be vital to ensure the programme can be funded. Careful monitoring of progress in realising capital receipts must be undertaken to ensure that there is timely and pro-active disposal of assets and that the actual receipts are in line with projections.

Major Variations

2.11 The detailed service area analysis is set out below:

Investment & Development

2.12 **Levelling Up- £0.235m** - Advice received from the Consultant Strategic Advisor has resulted in the continuation of further lines of investigation to ensure the site realises the maximum benefit for Ashton Town Centre. This has led to a delay in the detailed design stage of the project, as a result the spend was lower than expected in 2022/23. Regular progress updates will be provided through the Levelling Up Monitoring framework.

2.13 **Godley Garden Village- £0.244m** - A formal request has been made to Homes England to extend the expenditure deadline to 31 March 2024 in relation to the Housing Infrastructure Fund works (£9.280m) and associated milestones due to delays obtaining planning consent. Whilst formal approval is yet to be received, the Housing Infrastructure Fund works will not commence in advance of 31 March 2023. The funding has therefore been provisionally re-profiled to 2023/24. This will be confirmed once formal approval has been received from Homes England.

2.14 **Public Realm- (£0.117m)** - All budget was previously rephased into 2023-24, however, the decision was taken to fund the movement of the Town Centre compound and also some Market improvement works from this budget in 2022-23.

Corporate Landlord

2.15 **Decarbonisation of the Public Estate Phase 3- £0.441m** - As a result of reviewing operational requirements and the development of other projects across various sites, two buildings were removed from this scheme resulting in lower costs and therefore the budget for this element of the scheme is no longer required. The works at the remaining 4 sites have now been tendered and majority of the works on site complete with the remaining works to be completed over the coming months.

Engineers

2.16 **MCF, Walking, Cycling and Other- £0.172m** - There have been minor delays associated with the time taken to secure design and business case approval on a number of Mayor's Challenge Fund schemes. In addition, it was anticipated that the four Active Travel Fund schemes would have been formally approved, by TfGM, in early 2023 which would have allowed construction works to commence towards the end of the financial year. The formal grant funding approval date was subsequently delayed to the 6 April resulting in the start of the construction programme being delayed until June 2023 which has resulted in a delay with spend being incurred.

Environmental Services

2.17 **Children's Playground Facilities- £0.255m** - Phase 1 is complete. Phase 2 is complete, however one multiplay unit has since been subject to an arson attack and has had to be removed. There is no additional money in the capital budget to replace this unit and officers are exploring other options. Phase 3 has commenced with work to replace the timber edgings to the toddler play area at Cheetham Park. Play equipment for other sites has been ordered and will be installed as soon as it is delivered. The programme has been prioritised in terms of need for the work however there is some flexibility to ensure that play equipment is fitted as soon as it is received. Contractors have provided lead in times for the play equipment and this varies from 10-18 weeks. Where possible we are working with suppliers to ensure that we take advantage of any stock which is already available. It has also been challenging securing contractors however, Engineers are supporting officers on this matter. The delays in getting contractors on site have led to the delay in spend but officers are working with contractors to get this final phase completed as soon as possible.

- 2.18 **Greenspace- £0.144m** - There are minor variations below £100k to individual Greenspace schemes.
- Education**
- 2.19 **Secondary Schools- £0.245m** - There are other minor variations below £100k to individual Secondary School schemes of £0.245m.
- 2.20 **Devolved Schools Capital- £0.767m** - Schools undertake their own capital projects, which they fund directly from revenue. Additional projects were undertaken that had not been included within the capital programme.
- 2.21 **Primary Schools- £0.915m** - Hawthorns Primary - £0.704m - This scheme is behind schedule as there was a delay to receiving planning permission. A full review of the scheme and budget has been reported to Executive Cabinet on 26 April 2023 to gain approval of an increased budget and to progress with the scheme.
- 2.22 **St Johns Dukinfield - £0.120m** - This scheme is complete and we are awaiting final invoices for the retention of this scheme. Any budget remaining after receiving all invoices will be returned to the Unallocated Basic Need funding pot for future identified schemes.
- 2.23 There are other minor variations below £100k to individual Primary School schemes of £0.091m.
- 2.24 **Unallocated Basic Need- £0.505m** - £0.467m - A review of the funding to support capital schemes within Education was undertaken and resulted in utilising S106 funding for appropriate schemes. This allowed Basic Need Funding to be transferred back to the Unallocated Fund to support future identified schemes.
- 2.25 £0.038m - Other minor under spends on Secondary School schemes to support future identified schemes.
- 2.26 **Unallocated High Need Provision- £0.127m** - £0.114m - Completion of three schemes has resulted in an under spend against the approved budgets. Therefore, the balance has been returned to the Unallocated High Needs Fund to support future identified schemes.
- 2.27 £0.013m - A review of the funding to support capital schemes within Education was undertaken and resulted in utilising S106 funding for appropriate schemes. This allowed High Needs Funding to be transferred back to the Unallocated Fund to support future identified schemes.
- 2.28 **Unallocated School Condition- £0.129m** - £0.049m - A review of the funding to support capital schemes within Education was undertaken and resulted in utilising S106 funding for appropriate schemes. This allowed Condition Funding to be transferred back to the Unallocated Fund to support future identified schemes.
- 2.29 £0.080m - Other minor under spends mainly on Secondary School schemes to support future identified schemes.
- Adults**
- 2.30 **Disabled Facilities Grant (Adaptations)- (£0.693m)** - The expenditure at closure for the mandatory adaptations scheme is £0.157m higher than anticipated at Period 10. This is predominantly down to the increase in expected approvals and completions from the adaptations team, as there is a constant need to complete adaptations work as the only barrier is capacity and complexity of individual cases. An additional £0.536m was applied at year end through capitalising Community Response Service Sensory Equipment, Community Equipment Service assisted living furniture and Agency Occupational Therapist Expenditure.

- 2.31 **IT System Upgrade- (£0.107m)** - The expenditure relating to the IT system upgrade to implement the Controcc system was incurred earlier than previously expected. There is sufficient budget to account for this within the Community Capacity Grant.

Changes to the Capital Programme

- 2.32 Since period 10 there have been the following changes to the Capital Programme:
- Re-profiling of budgets from 22/23 to 23/24 £28.863m – approved at Period 10
 - Changes approved at Exec Cabinet – 29 March 2023 - £0.725m in 22/23, £2.088m in 24/25
- 2.33 The overall approved Capital Programme now totals £105.554m

3. PRUDENTIAL INDICATORS – ACTUAL OUTTURN 2022/23

3.1 Ratio of Financing Costs to Net Revenue Stream

Limit/Indicator	Limit	Actual
	%	%
Ratio of financing costs to net revenue stream	4.6	3.6

- This ratio represents the total of all financing costs e.g. interest payable and minimum revenue provision (MRP) that are charged to the revenue budget as a percentage of the amount to be met from Government grants and taxpayers (net revenue stream).

3.2 Capital Financing Requirement (CFR)

Limit/Indicator	Limit	Actual
	£000	£000
Capital Financing Requirement	199,265	199,265

- The Capital Financing Requirement is aimed to represent the underlying need to borrow for a capital purpose and is calculated from the aggregate of specified items on the balance sheet.
- The CFR increases by the value of capital expenditure not immediately financed (i.e. borrowing) and is reduced by the annual MRP repayment.

3.3 Capital Expenditure

Limit/Indicator	Limit	Actual
	£000	£000
Capital expenditure	105,552	21,365

- This is the total capital expenditure incurred (from all funding sources).

3.4 Incremental Impact of Capital Investment Decisions

Limit/Indicator	Limit	Actual
	£	£
For the Band D Council Tax	3.18	0.11

- This is the estimate of the net incremental impact of the capital investment decisions, based on the level of borrowing set out in the report and reflects the total cost of this additional borrowing (interest payments and minimum revenue provision), as a cost on Council Tax.
- The actual cost will depend on final funding. For every £1 increase on Band D properties, approximately £0.066m would be raised.

3.5 Operational Boundary and Authorised Limit on External Debt and Other Long Term Liabilities

Limit/Indicator	Limit	Actual
	£000	£000
Operational Boundary for external debt	206,642	139,471
Authorised Limit for external debt	226,642	139,471

- The Authorised Limit for External Debt sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council.
- The operational boundary for External Debt comprises the Council's existing debt plus the most likely estimate of capital expenditure/financing for the year. It excludes any projections for cash flow movements. Unlike the authorised limit, breaches of the operational boundary (due to cash flow movements) are allowed during the year as long as they are not sustained over a period of time.
- These limits include provision for borrowing in advance of the Council's requirement for future capital expenditure. This may be carried out if it is thought to be financially advantageous to the Council.

3.6 Upper and lower limits on Interest Rate Exposures

Limit/Indicator	Limit	Actual
	£000	£000
Upper limit for fixed interest rate exposure	199,265	8,521
Upper limit for variable interest rate exposure	66,422	6,243

- These limits are in respect of our exposure to the effects of changes in interest rates.
- The limits reflect the net amounts of fixed/variable rate debt (i.e. fixed/variable loans less fixed/variable investments).

3.7 Upper Limit for Total Principal Sums Invested for Over 364 Days

Limit/Indicator	Limit	Actual
	£000	£000
Upper limit for sums invested over 364 days	30,000	nil

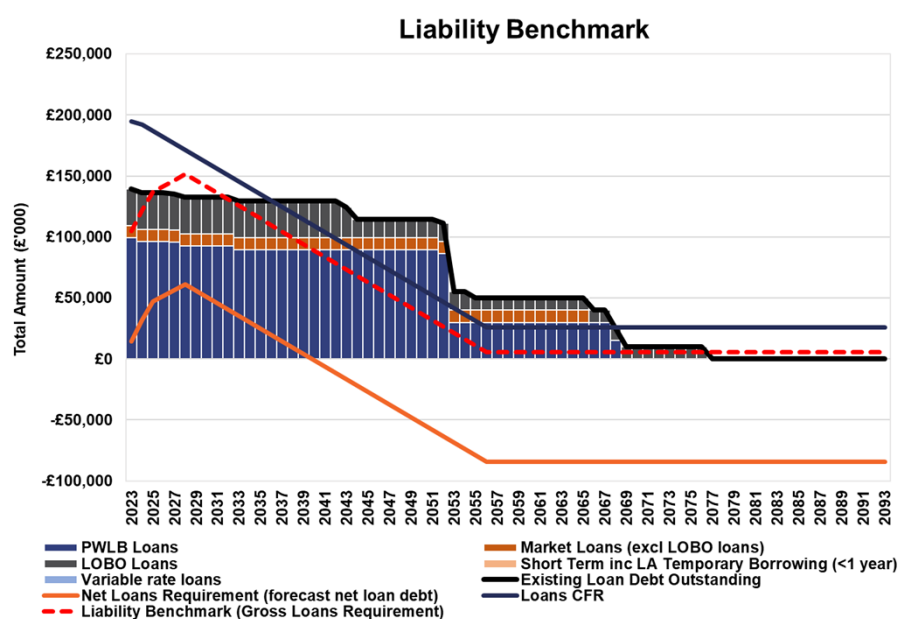
- This limit is in respect of treasury investments made for a duration longer than one year.

3.8 Maturity structure for fixed rate borrowing

Indicator	Limit	Outturn
Under 12 months	0% to 15%	0.87%
12 months and within 24 months	0% to 15%	2.41%
24 months and within 5 years	0% to 30%	0.39%
5 years and within 10 years	0% to 40%	2.13%
10 years and above	50% to 100%	94.19%

- This indicator is in respect of all of the Council's fixed rate borrowing with PWLB or other market lenders.

3.9 Liability Benchmark



3.10 The liability benchmark is a new prudential indicator introduced by CIPFA, which is mandatory for 2023/24 but has been included here for reference. This gives a long term view of the Council's borrowing needs based on current commitments. This demonstrates that there is currently no borrowing need and the Council currently has a significant level of surplus cash, which makes up its investment portfolio. If further schemes to be funded by borrowing are added to the Capital Programme in future then the benchmark will increase and more borrowing could potentially be required.

4. RECOMMENDATIONS

4.1 As stated on the front cover of the report.