



To:  
**Councillor Rob Stewart,**  
**Cabinet Member for Economy,**  
**Finance and Strategy**

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19 October 2023

Summary: This is a letter from the Service Improvement, Regeneration and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy concerning the meeting held on 26 September 2023 and the Capital Outturn and Financing 2022/23. This letter does not require a response.

Dear Councillor Stewart,

On the 26 September, the Service Improvement, Regeneration and Finance Scrutiny Performance Panel met to discuss the Capital Outturn and Financing 2022/23. The Panel are grateful to you and Ben Smith Director of Finance / Section 151 Officer for attending to discuss and answer questions.

The capital outturn position as at 31 March 2023 was reported as a net underspend of £28.8m. It was explained to us that due to the need for Cabinet to approve the underspend to be carried over into 2023/24 this outturn report was delayed and was therefore not able to be presented with the other outturn reports.

Since March several large-scale schemes have added to the programme due to material overspending or reprofiling. The officer informed us that the first quarter budget report of 2023/24 due to Cabinet in October will reference a capital programme for the current year in excess of £150m. This has been complicated by some significant cost overruns, which the officer referenced has affected many Councils and the additional impact of challenges faced with the Copr Bay development.

We asked whether the overspend has had opportunity to accrue any interest. The officer informed us that any monies not spent on the capital programme will be earning over 5% interest while interest rates stay at this rate until the money is spent where allocated within the capital programme. Although there is a clear benefit to slippage earning on good interest rates, we had concerns that this slippage and delay in project completion could cause increased costs. There have also been several projects that have required additional sums. The officer felt that there is a trade off to be made but there is confidence that the capital programme remains afforded and affordable. In addition, you shared that fixed price contracts with developers are secured where

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possible but there is a tension between the benefits of accruing interest on underspends offset by the potential of additional costs where there is no fixed price but overall, you felt the Council is managing an ambitious capital programme in difficult times.

We asked for the breakdown of £14m in unsupported borrowing which the report stated is a mix of General Fund and Housing Revenue Account (HRA). The officer provided us a written note on this after the meeting to inform us that of the £14.051m, £2.790m was used to finance the HRA directly in year (as the bulk of HRA capital financing is from direct revenue contributions to capital in line with the agreed HRA budget strategy). The balance and therefore bulk was charged predominantly in year to General Fund but also opportunity was taken to draw down and tidy up some long-standing minor residual balances of contingency sums and old schemes. We further queried the breakdown of the remaining unsupported borrowing not attributed to HRA and were informed that this is not specifically itemised. The residual programme is managed as whole once certain schemes have been funded by specific grants e.g. active travel. It is likely that the remaining unsupported borrowing is made up of local regeneration activity and cost overruns.

We asked if the revenue contributions to capital were from an underspend on contribution to the Capital Equalisation Reserve and were informed this is not the case as this is a revenue reserve and dealt with in the revenue outturn report. We also confirmed with the officer that capital receipts were across all Council services.

### **Your Response**

We are interested in any thoughts you may have on the contents of this letter but in this instance, we require no formal written response.

Yours sincerely,



### **Councillor Chris Holley**

Convener, Service Improvement, Regeneration and Finance Scrutiny Performance Panel

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