

This Report will be made
public on 5 November
2019

Report Number **C/19/35**

To: Cabinet
Date: 13 November 2019
Status: Non-Key Decision
Responsible Officer: Charlotte Spendley – Assistant Director Finance,
Customer & Support Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND CAPITAL BUDGET MONITORING
2019/20

SUMMARY: This monitoring report provides a projection of the current financial position for the General Fund capital programme, based on expenditure to 31 August 2019, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATIONS:

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.

RECOMMENDATIONS:

1. To receive and note report C/19/35.

1. INTRODUCTION AND BACKGROUND

- 1.1 As part of the council's normal budget monitoring process this report updates Cabinet on the current position for the General Fund capital programme in 2019/20, based on expenditure to 31 August 2019, compared to the latest approved budget. Specifically, this report:-
- i) identifies variances on planned capital expenditure for 2019/20 and explanations of these differences, and
 - ii) considers the impact any changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 Cabinet is reminded that Full Council approves a rolling five year General Fund Medium Term Capital Programme (MTCP) annually as part of the overall budget process. This monitoring report considers the latest projected expenditure for 2019/20 against the profiled budget for the year. Full Council approved the current MTCP through to 2023/24 on 20 February 2019 (Report no A/18/19 refers). On 13 March 2019 Full Council approved the acquisition of the Connect 38 building in Ashford (Report no A/18/26 refers). The latest approved budget also includes £2.4m reprofiled from 2018/19 due to slippage on schemes and is consistent with the position previously reported to Cabinet on 19 June 2019 in the General Fund Capital Programme Outturn Report for 2018/19 (Report no C/19/01 refers).
- 1.3 The projections shown in the report are made at a relatively early stage in the financial year and will be subject to further change which will be reported to Cabinet as part of the on-going budget monitoring process.

2. CAPITAL PROGRAMME 2019/20 – PROJECTED OUTTURN

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2019/20 is £30,535,500, a decrease of £6,173,500 compared to the latest budget of £36,709,000. Full details are shown in Appendix 1 to this report and the following table summarises the position across the Service Units and also outlines the impact on the capital resources required to fund the programme:

General Fund Programme 2019/20	Latest Budget 2019/20	Latest Projection 2019/20	Variance
Service Unit	£'000	£'000	£'000
Environment & Corporate Assets	20,934	18,356	(2,578)
Finance, Customer & Support Services	5,119	3,218	(1,901)
Governance, Law & Regulatory Services	2,039	1,689	(350)
Strategic Development Projects	8,617	7,273	(1,344)
Total General Fund Capital Expenditure	36,709	30,536	(6,173)

General Fund Programme 2019/20	Latest Budget 2019/20	Latest Projection 2019/20	Variance
Capital Funding			
Capital Grants	(2,759)	(992)	1,767
External Contributions	(1,001)	(461)	540
Capital Receipts	(1,593)	(1,325)	268
Revenue	(1,117)	(1,202)	(85)
Borrow	(30,239)	(26,556)	3,683
Total Funding	(36,709)	(30,536)	6,173

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

Variances – 2019/20 Latest Budget to Projected Outturn			
1	Slippage and Reprofiting between 2019/20 and 2020/21	£'000	£'000
i)	Corporate Property Health and Safety Enhancements – delayed until new 10 year maintenance plan for Civic Centre agreed	(66)	
ii)	Pumping Stations new vehicle – subject to future arrangement with East Kent Housing	(25)	
iii)	Hawkinge Cemetery expansion – further phase now planned for 2020/21	(28)	
iv)	Area Officer vehicles – delayed while electric vehicle options explored	(30)	
v)	Coronation Parade, Folkestone coastal defence scheme – next phase delayed until 2020/21 and scope of works subject to review. Scheme all externally funded	(2,382)	
vi)	Hythe to Folkestone Beach Recharging Study coastal defence scheme brought forward from 2020/21. Study will inform the scope of works for the main scheme	30	
vii)	Oportunitas phase 2 capital funding	(2,050)	
viii)	Otterpool Park land and property acquisitions	(573)	
ix)	Strategic Development Property Projects (unallocated balance)	(161)	
x)	Biggins Wood Commercial Development	(61)	
xi)	Greatstone Holiday Lets scheme	(999)	
xii)	Princes Parade Leisure Scheme – preliminary expenditure brought forward from 2020/21. Scheme currently on hold and subject to an application for a Judicial Review regarding the planning permission	450	
			(5,895)
2	Reductions in Planned Expenditure		
i)	Beach Management coastal defence	(96)	

	scheme – budget brought forward from 2018/19 not expected to be required unless there are severe winter storms. Scheme all externally funded		
ii)	Disabled Facilities Grants and Loans – overall demand for the service remains lower than the ring-fenced resources available from Government	(310)	
ii)	Home Safe Loans - reduction in anticipated demand	(40)	
			(446)
3	Increases in Planned Expenditure		
i)	Lifeline Capitalisation – additional stock required due to an increase in the number of customers taking up the service	18	
ii)	Increase in IT equipment related costs including an additional £98k for the rollout of new laptops across the authority	150	
			168
	Total change (reduction) in overall capital programme for 2019/20		(6,173)

- 2.3 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 for the capital programme is borrowing is only to be used to support schemes expected to generate a net revenue saving and/or future capital receipt. Otherwise capital schemes are to be 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. The latest projection for the General Fund capital programme conforms to these principles.
- 3.2 As summarised in section 2 of this report, the council's projected capital expenditure for 2019/20 requires a significant level of borrowing to support it. The capital schemes in 2019/20 planned to be supported by borrowing are:

	£'000
i) Connect 38	17,710
ii) Oportunitas phase 2	1,400
iii) FHDC Transformation	500

iv)	Temporary Accommodation	565
v)	Otterpool Park acquisitions	6,000
vi)	Otterpool Park delivery mechanism	281
vii)	Greatstone Holiday Lets	100
Total		26,556

- 3.3 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

Capital Receipts Position Statement		£'000
Total receipts in hand at 31 August 2019		(9,819)
Less:		
Committed towards General Fund capital expenditure		1,992
Committed towards HRA capital expenditure		5,336
Ring-fenced for specific purposes		1,262
Contingency for urgent or unforeseen capital expenditure		500
Balance available to support new GF capital expenditure		(729)

4. CONCLUSIONS

- 4.1 The projected outturn shown for the General Fund capital programme for 2019/20 reflects the position based on actual expenditure and forecasts at 31 August 2019. The projected outturn will be reviewed, updated and reported to Cabinet as part of the budget monitoring process for 2019/20.

5 RISK MANAGEMENT ISSUES

- 5.1 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. Prudential borrowing is only used for capital schemes expected to generate a net revenue benefit and/or future capital receipts
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.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NE)

There are no legal implications arising directly out of this report.

6.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services. There are no further comments to add.

6.3 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.

7. 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

Tel: 01303 853593. e-mail :lee.walker@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1 – General Fund Capital Programme 2019/20 Projected Outturn