

This Report will be made public on 14 July 2020

Report Number **C/20/24**

To: Cabinet
Date: 22 July 2020
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader and Portfolio Holder for Finance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2020/21

SUMMARY: This monitoring report provides an initial projection of the current financial position for the General Fund capital programme, based on expenditure to 31 May 2020, 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/20/24.

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 2020/21, based on expenditure to 31 May 2020, compared to the latest approved budget. Specifically, this report;-

- i) identifies variances on planned capital expenditure for 2020/21 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 2020/21 against the profiled budget for the year. Full Council approved the current MTCP through to 2024/25 on 19 February 2020 (minute 101 refers). On 11 March 2020 approval was given under the Council's scheme of delegation for urgent decisions for the acquisition of the former Debenhams building in Folkestone for £2.2m. This is required to be reported to Full Council at its next meeting. The latest approved budget also includes £3.143m of planned expenditure reprofiled from 2019/20 due to slippage on schemes and is consistent with the position previously reported to Cabinet on 24 June 2019 in the General Fund Capital Programme Provisional Outturn Report for 2019/20 (Report C/20/11 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 2020/21 – PROJECTED OUTTURN

2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2020/21 is £22,019,900, a decrease of £20,861,500 compared to the latest budget of £42,881,400. 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 Capital Programme Q1 2020/21	Latest Budget 2020/21 £'000	Projection 2020/21 £'000	Variance Budget to Projection £'000
Service Units			
Operations	7,666	4,457	(3,209)
Finance, Strategy & Corporate Services	5,918	3,468	(2,450)
Housing	1,959	1,959	-
Economic Development	735	735	-
Strategic Development	26,603	11,402	(15,201)
Total Capital Expenditure	42,881	22,021	(20,860)
Capital Funding			
Capital Grants	(5,628)	(2,269)	3,359
External Contributions	(943)	(1,175)	(232)
Capital Receipts	(1,741)	(1,547)	194
Revenue	(3,947)	(4,079)	(132)
Borrowing	(30,622)	(12,951)	17,671
Total Funding	(42,881)	(22,021)	20,860

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

Variances – 2020/21 Latest Budget to Projected Outturn			
1	Reprofiling between 2020/21 and 2021/22	£'000	£'000
	i) Area Officer Vans	(30)	
	ii) Oportunitas Phase 2 Funding	(2,470)	
	iii) Greatstone Holiday Lets	(1,364)	
	iv) Otterpool Park Land and Property Acquisitions	(2,810)	
	v) Otterpool Park Delivery	(9,662)	
	vi) Princes Parade Leisure Centre	(1,365)	
			(17,701)
2	Overspends		
	i) Grounds Maintenance Vehicle Replacement Programme	34	
	ii) Former Debenhams Building	146	
	iii) PC Replacement Programme	20	
			200
3	Underspends		
	i) Coast Protection, Coronation Parade Folkestone - The rock revetment work originally planned for the scheme is now not expected to take place due to it being uneconomical (externally funded)	(1,389)	
	ii) Hythe-Folkestone Beach Recharge - Modelling has found it will be more beneficial to continue with an enhanced annual beach management programme (externally funded)	(1,970)	
			(3,359)

Total change in overall capital programme for 2020/21

(20,860)

- 2.3 As the variance analysis in the table above shows, there is a significant projected reprofiling of budgets from 2020/21 to 2021/22. 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 and the drawdown of funding for property acquisitions by Oportunitas Limited. It is important to remember that the Council controls its capital expenditure against the sums approved within the Medium Term Capital Programme rather than the profiled amounts for each year.
- 2.4 Following Cabinet's decision on 27 May 2020 to create the Otterpool LLP as the delivery vehicle for the proposed Otterpool Park Garden Town development (minute 14 refers), the budget for the Otterpool scheme has been separated between that for the land assembly and delivery processes. Once the delivery vehicle is fully resourced and the planning process for Otterpool is further advanced a more accurate profile of the capital expenditure for project over the period of the Medium Term Capital Programme will be prepared.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources and that new borrowing should only be used where it is prudent and affordable. 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 2020/21 projected outturn for the General Fund capital programme conforms to this key principle.
- 3.2 As summarised in section 2 of this report, the council's projected capital expenditure for 2020/21 requires a significant level of borrowing to support it. The capital schemes in 2020/21 planned to be supported by borrowing are:

	£'000
i) Otterpool Park acquisitions	6,900
ii) Otterpool Park Delivery Vehicle	1,250
iii) Oportunitas Phase 2 funding	3,120
iv) Temporary Accommodation	527
v) Greatstone Holiday Lets	497
vi) Lower Sandgate Road Beach Huts	500
vii) Princes Parade Development	157
Total	<u>12,951</u>

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 May 2020		(8,468)
Less:		
Committed towards General Fund capital expenditure		2,208
Committed towards HRA capital expenditure		5,494
Ring-fenced for specific purposes		78
Contingency for urgent or unforeseen capital expenditure		500
Balance available to support new GF capital expenditure		(188)

4. CONCLUSIONS

4.1 The projected outturn shown for the General Fund capital programme for 2020/21 reflects the position based on actual expenditure and forecasts at 31 May 2020. The projected outturn will be reviewed, updated and reported to Cabinet as part of the budget monitoring process for 2020/21.

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 2020/21 Projected Outturn