

This Report will be made public on 23 December 2022

Report Number **C/22/74**

To: Cabinet
Date: 25 January 2023
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 2022/23

SUMMARY: This monitoring report provides an updated projection of the current financial position for the General Fund capital programme profiled for 2022/23, based on expenditure to 30 November 2022, 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/22/74.

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 profiled for 2022/23, based on expenditure to 30 November 2022, compared to the latest approved budget. Specifically, this report;-
- i) identifies variances on planned capital expenditure for 2022/23 and provides explanations for 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 This monitoring report considers the latest projected expenditure for 2022/23 against the profiled budget for the year. Cabinet considered an initial projected outturn position for the General Fund capital programme in 2022/23 on 20 October 2022 (minute 35 refers). The projections shown in the report may, in some cases, be subject to further change which will be reported to Cabinet as part of the on-going budget monitoring process.
- 1.3 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. The update to the MTCP for the five-year period ending 31 March 2028 is due to be considered by Cabinet separately as part of this agenda before being submitted to Full Council for approval on 22 February 2023.

2. CAPITAL PROGRAMME 2022/23 – PROJECTED OUTTURN

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2022/23 is £20,837,000, a decrease of £24,025,000 compared to the latest budget of £44,862,000. Full details are shown in **Appendix 1** to this report and the following table summarises the position across the Service Units and outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme Q3 2022/23	Latest Budget 2022/23	Projection 2022/23	Variance Budget to Projection
	£'000	£'000	£'000
Service Units			
Operations	24,159	6,266	(17,863)
Corporate Services	3,364	2,194	(1,170)
Housing	1,555	1,555	-
Governance, Law & Regulatory Services	9	9	-
Economic Development Place	867	867	-
	14,908	9,946	(4,992)
Total Capital Expenditure	44,862	20,837	(24,025)

Capital Funding

Capital Grants	(6,327)	(4,089)	2,238
External Contributions	(1,376)	(780)	596
Capital Receipts	(6,027)	(2,340)	3,687
Revenue	(2,545)	(1,486)	1,059
Borrowing	(28,587)	(12,142)	16,445
Total Funding	(44,862)	(20,837)	24,025

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

Variances – 2022/23 Latest Budget to Q3 Projected Outturn			
1	Reprofiling between 2022/23 and 2023/24	£'000	£'000
i)	Biggins Wood Site Land Remediation Works	(1,364)	
ii)	Princes Parade Leisure Centre	(13,882)	
iii)	Electric Vehicle Chargepoints	(40)	
iv)	Coast Drive Seafront Development	(789)	
v)	East Cliff Landfill Protection (FPPG Charity)	(1,200)	
vi)	Hawkinge Depot Upgrade	(75)	
vii)	Connect 38 Office CAT A Works	(240)	
viii)	Coastal Park Toilet and Concession	(97)	
ix)	Units 1-5 Learoyd Road New Romney	(196)	
x)	Folkestone & Hythe Green Business Grant	(200)	
xi)	Public Toilet Enhancement	(100)	
xii)	Otterpool Park	(5,042)	
xiii)	Oportunitas Funding	(970)	
			(24,195)
2	Overspends		
i)	Lifeline Capitalisation	20	
			20
3	Underspends		
i)	Play Area Equipment (COMF)	(12)	
			(12)
4	Other Changes		
i)	Variation order for Hythe to Folkestone beach management works for the use of white rather than red diesel, met from additional EA grant	112	
ii)	UK Shared Prosperity Fund Capital Grants	50	
			162
	Total change in overall capital programme for 2022/23		(24,025)

- 2.3 As the variance analysis in the table above shows, the projected reprofiling of budgets from 2022/23 to 2023/24 and beyond is £24.2m, an increase of £10.1m compared to the sum of £14.1m previously reported to Cabinet on 20 October 2022 and largely reflects the decision to pause the operational delivery of the Princes Parade scheme. Just over £5m of expenditure to deliver Otterpool Park is expected to be reprofiled to 2023/24 or beyond. The reprofiling of the other capital schemes is largely due to schemes commencing later than originally planned and these are expected to be completed during 2023/24. The future of the East Cliff Landfill Protection scheme is likely to be reconsidered by the Trustees of the Folkestone Parks and Pleasure Grounds Charity before a decision is taken regarding it.
- 2.4 Typically, property related capital schemes are more difficult to project accurately in terms of the timing of expenditure due to external factors such as planning, legal and procurement. However, it is important to remember that the council controls its capital expenditure against the sums approved within the MTCP rather than the profiled amounts for each year.
- 2.5 As reported to Cabinet on 20 October 2022, a review of the impact of cost inflation for the General Fund capital programme in 2022/23 was previously undertaken. In summary, inflation is not expected to have a material impact on delivering the planned expenditure within budget for the year. However, the risk of cost inflation for the capital programme is being closely monitored as part of the current budget process and its impact is considered separately in the update to the MTCP to 2027/28 report, as part of this agenda.

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 2022/23 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 2022/23 requires a significant level of borrowing to support it. The capital schemes in 2022/23 planned to be supported by borrowing are:

	£'000
i) Princes Parade Leisure Centre	1,528
ii) Coast Drive Seafront Development	94
iii) Coastal Park Toilet and Concession	50
iv) Otterpool Park	8,834
v) Veolia Waste Contract	29
vi) Oportunitas Phase 2 funding	1,500
vii) Temporary Accommodation	107

Total	<u>12,142</u>
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3.3 The borrowing required is consistent with the council's approved Capital Strategy for 2022/23.

3.4 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 30 November 2022	10,242
Less:	
Committed towards General Fund capital expenditure (including £645k towards the proposed capital growth for 2023/24)	(3,912)
Committed towards HRA capital expenditure	(5,758)
Contingency for urgent or unforeseen capital expenditure	(500)
Balance available to support new GF capital expenditure	<u><u>72</u></u>

3.5 Full Council approved the Flexible Use of Capital Receipts Strategy 2022/23 on 27 July 2022 (minute 24 refers). In line with this, £0.549m of capital receipts is projected to be applied towards qualifying capital expenditure in year and this is included within the £2.492m shown under paragraph 2.1 above.

4. CONCLUSIONS

4.1 The projected outturn shown for the General Fund capital programme for 2022/23 reflects the position based on actual expenditure and forecasts at 30 November 2022. The projected outturn will be reviewed, updated and reported to Cabinet as part of the budget monitoring process for 2022/23. Although there is projected significant reprofiling in capital schemes in the MTCP, at this stage there is no material increase in forecast cost to the overall programme.

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. Cost inflation risk has been identified in the report and the position is being closely monitored as part of the council's budget process.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NM)

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.

6.4 Climate Change Implications (AT) [Pilot reporting period]

There are no climate change implications arising directly from this report. The report is a monitoring report that provides an initial position against the latest approved budget. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

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, Capital and Treasury Senior Specialist

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 2022/23 Projected Outturn