

This Report will be made public on 28 June 2023

Report Number: **C/23/07**

To: Cabinet
Date: 12th July 2023
Status: Non-Key Decision
Head of Service: Lydia Morrison – Director of Corporate Services
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance.

**SUBJECT: GENERAL FUND CAPITAL PROGRAMME PROVISIONAL
OUTTURN 2022/23**

SUMMARY: This report provides the provisional outturn of the current financial position for the General Fund capital programme in 2022/23, based on expenditure to 31 March 2023, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATIONS:

- a) Cabinet is asked to agree the recommendations set out below because it needs to be kept informed of the General Fund capital programme outturn position and be appraised of any variations from the approved budget.

RECOMMENDATIONS:

1. To receive and note report C/23/07.

1. INTRODUCTION AND BACKGROUND

1.1 This report compares the 2022/23 provisional outturn (subject to audit) for the capital programme to the latest approved budget, agreed by Full Council on 22nd February 2023. Specifically, this report:-

- i) provides explanations of the key variances for schemes within the programme between the latest approved profiled budget and the outturn position for 2022/23,
- ii) considers the impact any changes to the overall capital programme will have on the financing resources required to fund it.

The Chief Accountant and Finance Team have now completed sufficient ledger entries to inform Cabinet of the provisional capital outturn position for the financial year 2022/23.

Full Council approved the latest budget for the Medium Term Capital Plan (MTCP) to 31 March 2028 on 22nd February 2023. This included the latest approved profiled budget of £20.885m for the current financial year.

2. CAPITAL PROGRAMME 2022/23 – PROVISIONAL OUTTURN

2.1 The provisional Capital Outturn for the General Fund Capital Programme for 2022/23 is £17,629,000, a reduction of £3,256,000 compared to the latest budget of £20,885,000. Full details of variations are shown in Appendix 1 to this report and the following table summarises the position across the council's service areas and outlines the impact on the capital resources required to fund the programme: The provisional outturn figures are subject to the conclusion of the Statement of Accounts process and the final audit of the accounts. The Statement of Accounts will be prepared by 31 July and the external audit will commence later this year.

General Fund Capital Programme Outturn	Latest Budget 2022/23	Actual 2022/23	Variance Budget to Outturn
<u>Service Units</u>	£'000	£'000	£'000
Operations	6,314	4,654	(1,660)
Corporate Services	2,194	2,077	(117)
Housing	1,555	1,634	79
Place	10,813	9,264	(1,549)
Governance, Law, Service Delivery	9	0	(9)
Total Capital Expenditure	20,885	17,629	(3,256)
<u>Capital Funding</u>			
Capital Grants	(4,089)	(3,390)	699
External Contributions	(780)	(26)	754
Capital Receipts	(2,388)	(1,830)	558
Revenue	(1,486)	(905)	581
Borrowing	(12,142)	(11,478)	664

Total Funding	(20,885)	(17,629)	3,256
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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 Profiled Budget to Outturn			
1	Reprofiling between 2022/23 and 2023/24	£'000	£'000
i)	Coast Protection - Coronation Parade, Folkestone	(742)	
ii)	Coast Protection - Coronation Parade annual monitoring	(4)	
iii)	Coast Protection - Greatstone Dunes Management & Study	(13)	
iv)	Coast Protection - Hythe to Folkestone Beach Management	(117)	
v)	Royal Military Canal footpath enhancements	(4)	
vi)	Public Toilet Enhancement Programme	(13)	
viii)	Biggins Wood Site Land Remediation Works	(293)	
ix)	Ship Street Site Folkestone (GF Element)	(192)	
x)	District Street Lights	(401)	
xi)	Coast Drive Seafront Development	(55)	
xii)	Coastal Park Play Equipment	(19)	
xiii)	Coastal Park Toilet and Concession	(31)	
xiv)	Replacement Asset Management System	(60)	
xv)	Radnor Park Footpath Resurfacing (FPPG Charity)	(13)	
xvi)	The Stade, Folkestone Rental Huts	(100)	
xix)	Additional Toilet Cleaners Vans	(33)	
xx)	Replacement Park Keeper's Vehicle	(27)	
xxi)	Otterpool Park Garden Town	(795)	
xxii)	Waste Contract - Acquisition of Vehicles and Equipment	(15)	
xxiii)	Area Officer Vans	(30)	
xxiv)	CLLD ERDF Capital Projects	(813)	
xxv)	UK Shared Prosperity Fund Capital Grants Scheme	(13)	
xxvi)	Server Replacement Programme	(13)	
xxvii)	ICT improvement costs (externally hosted Revenues & Benefits system)	(53)	
xxviii)	Website CMS replacement	(26)	
xxix)	Folkestone & Hythe Green Business Grant Scheme	(20)	
xxx)	FHDC Transformation	(15)	
xxxi)	Electoral Management System	(9)	
xxxii)	Empty Properties Initiative (KCC) - Loans to landlords	(25)	
xxxiii)	Temporary Accommodation (invest to save)	(94)	
xxxiv)	Home Safe Loans	(111)	
			(4,148)
2	Overspends		
i)	Lifeline Capitalisation	2	
ii)	Parking Services - Upgrade of Payment Options	13	
iii)	Princes Parade Leisure & Housing Development	427	
iv)	Disabled Facilities Grants (DFGs) & Loans	308	
v)	Other small overspends	142	
			892
	Total change in overall capital programme for 2022/23		(3,256)

2.3 The outturn for 2022/23 of £17.629m compared with the previous projected position of £20.885m reported to Cabinet on the 25th January 2023 was

based on estimated information as at 31st November 2022. As the analysis in the table above shows, the main reason for the projected variance is slippage in spending upon capital schemes which will require the reprofiling of expenditure from 2022/23 to 2023/24. Some capital schemes are more difficult to project accurately in terms of the timing of expenditure and, in some cases, the final cost. This is particularly the case with some of the property related initiatives where external factors such as negotiations over price, conveyancing and planning can have an impact on the timing and final cost of a scheme. The council remains on track to deliver the schemes within its overall approved Medium Term Capital Programme.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 As summarised in section 2 of this report, the Council's capital expenditure for 2022/23 requires a significant level of borrowing to support it. Expenditure on the following capital schemes in 2022/23 is financed by borrowing :

2022/23 Expenditure financed by Borrowing	£'000
Coast Drive Seafront Development	39
Coastal Park Toilet and Concession	18
Otterpool Park	7,939
Oportunitas	1,500
Veolia Waste Contract	14
Temporary Accommodation	13
Princes Parade Leisure Centre	1,955
Total	<u>11,478</u>

- 3.3 The council's actual borrowing activity for the financial year will be covered in the Treasury Management Outturn Report for 2022/23 which Cabinet is due to consider later this summer. The Prudential Indicators outturn for 2022/23 will also be included in that report (as it is still being finalised), and will summarise the council's total debt, including that attributable to the Housing Revenue Account, at 31 March 2023 against its total borrowing need, known as the Capital Financing Requirement.
- 3.4 The £0.905m of revenue resources used to fund capital expenditure in the current financial year, summarised in section 2.1 of the report, is reflected in the General Fund outturn report for 2022/23, due to be considered by Cabinet as part of this agenda.

3.5 The table below shows latest position regarding the council's available capital receipts to fund capital expenditure.

Capital Receipts Position Statement	£'000
Capital Receipts brought forward as at 1st April 2022	(9,069)
Capital Receipts Received in 2022/23	(1,727)
Less:	
Committed towards General Fund capital expenditure	1,830
Committed towards HRA capital expenditure	1,063
Committed to fund future approved GF Capital Schemes	4,632
Funding Charity Loan	57
Contingency for urgent or unforeseen capital expenditure	500
Uncommitted Capital Receipts available to support new GF capital expenditure	2,714

3.5 Flexible Use of Capital Receipts Guidance – The Department for Levelling Up Housing and Communities (DLUHC) capitalisation direction currently allows local authorities to use capital receipts from non-HRA asset sales to meet one off revenue costs on schemes designed to reduce future revenue costs and/or transform service delivery. There are £0.971m of qualifying capital receipts held in the capital receipts reserve. There has been £90k of qualifying expenditure in 2022/23 and the remaining balance will be carried forward to 2023/24. The end date for the use of qualifying capital receipts is 2024/25.

3.6 Available resources to fund the slippage and reprofiling of capital expenditure to 2023/24, outlined in section 2 of the report, have been ring-fenced to meet this.

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 31 March 2023.

4.2 The Council remains on track to deliver the schemes within its approved MTCP.

5.3 The outturn for the programme has required £11.478m of borrowing to support it.

6 RISK MANAGEMENT ISSUES

6.1 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	<p>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</p>
Cost of new projects may exceed the estimate.	High	Medium	<p>A review of existing approved capital schemes has been undertaken as part of the update to the MTCP to assess the impact of current inflationary pressures affecting construction and engineering sector. Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.</p>
Expenditure planned to be met by grant is	High	Low	<p>Prior to commitments being made the</p>

ineligible under the terms of the funding agreement			project manager to agree in advance grant eligible expenditure with the funding body.
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6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments

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

6.2 Finance Officer's Comments

This report has been prepared by Financial Services. There are no further comments to add. Any changes to the provisional outturn will be reflected in the final Statement of Accounts that will be finalised once the external audit is completed later this year. The Prudential indicators for the year will be presented to a future meeting of this committee with the annual Treasury Management report after July 2023 when the full Statement of Accounts are completed.

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 Communication Officer's Comments

The play area improvements to be funded will be communicated widely subject to Full Council approval during 2022/23.

6.5 Climate Change Implications

There are no climate change implications arising directly from this report. It updates CLT on this position following decisions taken at CLT 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

Daniella Loxton, Capital and Treasury Senior Specialist
Tel: 01303 853583. e-mail: daniella.loxton@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

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