

This report will be made public on 12 September 2023

Report Number **C/23/39**

To: Cabinet
Date: 20 September 2023
Status: Non-Key Decision
Head of Service: Lydia Morrison – Interim Director of Corporate Services
Cabinet Member: Councillor Tim Prater, Deputy Leader, and Cabinet Member for Finance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2022/23 –1ST QUARTER (Q1) 2023/24

SUMMARY: This monitoring report provides an initial projection of the current financial position for the General Fund capital programme profiled for 2023/24, based on expenditure to 30 June 2023, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATIONS:

Local authorities are required to estimate the total capital expenditure that they plan to incur during the financial year when they set the prudential indicators for capital expenditure. This shows that its asset management and capital investment strategies are affordable, prudent, and sustainable. Capital expenditure is a significant source of risk and uncertainty since cost variations, delays and changing specifications are often features of large and complex capital projects. In order to manage the risks associated with capital programming the annual capital programme is updated to reflect any cost variations, slippage, or acceleration of projects.

RECOMMENDATIONS:

1. To receive and note report C/23/39.

1. INTRODUCTION AND BACKGROUND

- 1.1 As part of the council's normal budget monitoring process this report provides an update to Cabinet on the current position of the General Fund capital programme profiled for 2023/24, based on expenditure to 30 June 2023, compared to the latest approved budget. Specifically, this report; -
- i) identifies variances on planned capital expenditure for 2023/24 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 The Cabinet is reminded that the 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 2023/24 against the profiled budget for the year.
- 1.3 Full Council approved the current General Fund Medium Term Capital Programme (MTCP) for the rolling five-year period to 31 March 2026 on 22 February 2023.
- 1.4 The projections shown in the report are made at an early stage in the financial year and will be subject to further change which will be reported to Cabinet as part of the ongoing budget monitoring process.

2. CAPITAL PROGRAMME 2023/24 – PROJECTED OUTTURN

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2023/24 is £48.048m, an increase of £3.973m compared to the approved budget of £44.075m. 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 2023/24	Latest Budget 2023/24	Projection 2023/24	Variance Budget to Projection
	£'000	£'000	£'000
<u>Service Units</u>			
Operations	5,637	7,738	2,101
Finance, Strategy & Corporate Services	1,135	1,229	94
Housing	1,400	1,630	230
Economic Development	11,478	12,207	729
Place	24,407	25,217	810
Governance, Law & Regulatory Services	18	27	9
Total Capital Expenditure	44,075	48,048	3,973
<u>Capital Funding</u>			
Capital Grants	(12,257)	(14,117)	(1,860)
External Contributions	(559)	(553)	6
Capital Receipts	(2,532)	(3,106)	(574)
Revenue	(2,214)	(2,769)	(555)
Borrowing	(26,513)	(27,503)	(990)
Total Funding	(44,075)	(48,048)	(3,973)

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

Significant Movements from Profiled Budget	Latest Profiled Budget
	£'000
Profiled budget	44,075
Re-profiling of CLLD ERDF Capital Projects	813
Re-profiling of Otterpool Park	795
Re-profiling - Coast Protection, Coronation Parade Folkestone	742
Re-profiling of District Street Lights	401
Re-profiling of Biggins Wood	293
Re-profiling of Ship Street	192
Re-profiling Beach Management 2020-2021	117
Folkestone Brighter Place LUF reduced due to expenditure in 22/23	(117)
Re-profiling Home Safe Loans	111
Re-profiling The Stade Rental Huts	100
Re-profiling Temporary Accommodation	94
Replacement Asset Management System	60
Re-profiling of Fisherman's Beach Chalets	55
Re-profiling ICT improvement costs (externally hosted Revenues & Benefits system)	53
Re-profiling amounts less than £50k	264
Total	48,048

2.3 As the variance analysis in the table above shows, there is a significant projected reprofiling of budgets in 2023/24. 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.

2.4 A review of the impact of cost inflation for the General Fund capital programme in 2023/24 has been undertaken as part of the monitoring exercise. In summary, inflation is not expected to have a material impact on delivering the planned expenditure within the budget for the year. However, the risk of cost inflation is being closely monitored and will be considered as part of the budget process by Cabinet through the Medium Term Financial Strategy later this autumn and the update to the MTCP to 2027/28 in January 2024.

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 2023/24 projected outturn for the General Fund capital programme conforms to this key principle.

4. CONCLUSIONS

4.1 The projected outturn shown for the General Fund capital programme for 2023/24 reflects the position based on actual expenditure and forecasts on 30 June 2023. The projected outturn will be reviewed, updated, and reported to Cabinet as part of the budget monitoring process for 2023/24. 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 most 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

Perceived risk	Seriousness	Likelihood	Preventative action
			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 (OO)

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)

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 the Cabinet on this position following decisions taken by the 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

Daniella Loxton, Senior Finance Specialist (Capital and Treasury)
Telephone: 01303 853583; Email: daniella.loxton@folkestone-hythe.gov.uk

Ola Owolabi, CFSSO
Telephone: 07731 347103; Email: ola.owolabi@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:
None