

This Report will be made public on 18 October 2023

Report Number **C/23/48**

**To:** Cabinet  
**Date:** 18 October 2023  
**Status:** Non-Key Decision  
**Head of Service:** Lydia Morrison – Director of Corporate Services  
**Cabinet Member:** Councillor Tim Prater, Portfolio Holder for Finance

**SUBJECT:** GENERAL FUND CAPITAL PROGRAMME – 2<sup>ND</sup> QUARTER (Q2) BUDGET MONITORING 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 31 August 2023, and identifies variances compared to the latest approved budget.

**REASONS FOR RECOMMENDATION:**

Cabinet is asked to note the recommendation 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.

**RECOMMENDATION:**

1. To receive and note report C/23/48.

## **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 2023/24, based on expenditure to 31 August 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 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 actual 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 2028 on 22 February 2023. The latest approved budget for 2023/24 includes £3,973k of planned capital expenditure reprofiled from 2022/23 due to slippage on schemes.
- 1.4 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 2023/24 – PROJECTED OUTTURN**

- 2.1 The latest projection for the total expenditure and funding of the General Fund capital programme for 2023/24 is £48,048k, no change from the latest approved budget at quarter one but an increase of £3,973k to the original budget due to slippage from 22/23 being carried forward.
- 2.2 Actual expenditure to 31 August 2023 is £5,522k a variance of £42,526k to the latest approved budget. This is mainly due to a number of projects not starting yet, the levelling up project is in its very early stages and funding being provided to Otterpool Park LLP at this point. However, it is expected that the capital commitments will increase during the rest of the financial year.
- 2.3 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:

<b>General Fund Capital Programme Q2 2023/24</b>	<b>Latest Budget 2023/24</b>	<b>Actual Expenditure to date</b>	<b>Variance Actual to Latest Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service Units</b>			
Operations	7,738	1,998	(5,740)
Corporate Services	1,229	92	(1,137)
Housing	1,630	421	(1,209)
Governance, Law & Regulatory Services	27	0	(27)
Economic Development Place	12,207	271	(11,936)
	25,217	2,740	(22,477)
<b>Total Capital Expenditure</b>	<b>48,048</b>	<b>5,522</b>	<b>(42,526)</b>
<b>Capital Funding</b>			
Capital Grants	(14,117)	(833)	13,284
External Contributions	(553)	(201)	352
Capital Receipts	(3,106)	(432)	2,674
Revenue	(2,769)	(899)	1,870
Borrowing	(27,503)	(3,157)	24,346
<b>Total Funding</b>	<b>(48,048)</b>	<b>(5,522)</b>	<b>42,526</b>

2.4 The following table summarises the main variances:

<b>Significant Variances</b>	<b>Actual to Latest Approved Budget £'000</b>
Otterpool Park	(22,312)
Folkestone Brighter Place LUF	(10,808)
East Cliff Landfill Protection (FPPG Charity)	(1,198)
Biggins Wood Remediation Works	(1,036)
Oportunitas PH 2	(970)
Coast Drive Seafront Development	(835)
Coast Protection, Coronation Parade Folkestone	(742)
CLLD ERDF Capital Projects	(670)
Disabled Facilities Grants	(604)
Beach Management 2020-2021	(366)
Empty Home Initiatives	(300)
Home Safe Loans	(211)
Public Toilets (Changing Places )	(205)
Folkestone & Hythe Green Business Grant	(202)
Units 1-5 Learoyd Road New Romney	(196)
Mountfield Road Employment Land	(150)
Hawkinge Depot Upgrade	(143)
Rural England Prosperity Fund Cap	(143)
Princes Parade Leisure Centre	(142)
Public Toilet Enhancement	(113)
Uk Shared Prosperity Fund Cap	(113)
The Stade Rental Huts	(100)
Variances less than £100k	(967)
<b>Total</b>	<b>(42,526)</b>

- 2.5 Otterpool Park and Folkestone Brighter Place projects are the Council's most significant projects and are expected to last several years. The expenditure for both will be reviewed for the quarter three budget monitoring report and it is likely that the remaining budget will be reprofiled to 2024/25.
- 2.6 East Cliff Land fill works are still at an early stage and there has been no expenditure so far in 23/24.
- 2.7 Biggins Wood Remediation works and Opportunitas Phase 2 are nearing completion and that final costs will be received shortly.
- 2.8 Mountfield Road and CLLD ERDF Capital projects are complete and awaiting final invoices to be received for payment.
- 2.9 Work on Coast Drive Seafront Development, Hawkinge Depot upgrade, Units 1-5 Learoyd Road, The Stade Rental Huts, Public Toilet Enhancement, Public Toilets (Changing Places) has yet to commence.

### 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.
- 3.2 As summarised in section 2 of this report, the council's projected capital expenditure for 2023/24 requires a significant level of borrowing to support it. The capital schemes in 2023/24 planned to be supported by borrowing are:

	<b>£'000</b>
Princes Parade Leisure Centre	250
Coast Drive Seafront Development	844
Coastal Park Toilet and Concession	128
Otterpool Park	25,202
Veolia Waste Contract	15
Oportunitas Phase 2 funding	970
Temporary Accommodation	94
Total	<b>27,503</b>

- 3.3 The borrowing required is consistent with the council's approved Capital Strategy for 2023/24.

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

<b>Capital Receipts Position Statement</b>	<b>£'000</b>
Opening Balance at 1 April 2023	7,859
Less:	
Committed towards General Fund capital expenditure	(5,127)
Committed towards HRA capital expenditure	(3,489)
Contingency for urgent or unforeseen capital expenditure	(500)
Anticipated capital receipts to be received in 23/24	3,373
<b>Balance available to support new GF capital expenditure</b>	<b>2,116</b>

#### 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 at 31 August 2023. The projected outturn will be reviewed, updated and reported to Cabinet as part of the regular budget monitoring process for 2023/24. Although there are significant variances comparing actual to latest budget, this is normal at this stage in the budget monitoring cycle for the MTCP and further update will be provide during the quarter 3 monitoring report on any material changes 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 (DL)

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

### 6.3 Communication Officer's Comments (KA)

There is likely to be media interest in the timeline of the Royal Victoria Hospital site development and the comms team will prepare a response accordingly.

### 6.4 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.

### 6.5 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

*Dani Loxton, Senior Finance Specialist (Capital and Treasury )  
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The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1 – General Fund Capital Programme 2023/24 Projected Outturn