

This Report will be made public on 8 November 2021

Report Number **C/21/45**

**To:** Cabinet  
**Date:** 24 November 2021  
**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 2021/22

**SUMMARY:** This monitoring report provides an initial projection of the current financial position for the General Fund capital programme profiled for 2021/22, based on expenditure to 31 August 2021, 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/21/45.

## **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 2021/22, based on expenditure to 31 August 2021, compared to the latest approved budget. Specifically, this report;-
- i) identifies variances on planned capital expenditure for 2021/22 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 2021/22 against the profiled budget for the year.
- 1.3 Full Council approved the current MTCP through to 2025/26 on 24 February 2021 (minute 25 refers). On 26 May 2021 Cabinet approved £400k to be added to the General Fund capital programme to allow the necessary Cat A works to the Connect 38 building, funded from an external contribution received, (minute 7 refers). This is still required to be reported to Full Council. On 21 July 2021 Full Council approved an additional £518k for the Coast Drive Seafront Development (minute 24 refers). The latest approved budget also includes £3.131m of planned expenditure reprofiled from 2020/21 due to slippage on schemes and is consistent with the position previously reported to Cabinet on 23 June 2021 in the General Fund Capital Programme Provisional Outturn Report for 2020/21 (minute 12 refers).
- 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 2021/22 – PROJECTED OUTTURN**

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2021/22 is £25,982,000, a decrease of £22,692,000 compared to the latest budget of £48,674,000. 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 Q2 2021/22 | Latest Budget 2021/22 | Projection 2021/22 | Variance Budget to Projection |
|---|-----------------------|--------------------|-------------------------------|
|   | £'000                 | £'000              | £'000                         |
| <b>Service Units</b>                      |                       |                    |                               |
| Operations                                | 8,960                 | 1,679              | (7,281)                       |
| Corporate Services                        | 2,496                 | 2,496              | 0                             |
| Housing                                   | 1,927                 | 1,527              | (400)                         |
| Transformation & Transition               | 21,327                | 6,061              | (15,266)                      |
| Economic Development                      | 0                     | 165                | 165                           |
| Place                                     | 13,964                | 14,054             | 90                            |
| <b>Total Capital Expenditure</b>          | <b>48,674</b>         | <b>25,982</b>      | <b>(22,692)</b>               |
| <b>Capital Funding</b>                    |                       |                    |                               |
| Capital Grants                            | (6,345)               | (5,070)            | 1,275                         |
| External Contributions                    | (2,194)               | (1,172)            | 1,022                         |
| Capital Receipts                          | (16,630)              | (995)              | 15,635                        |
| Revenue                                   | (1,608)               | (757)              | 851                           |
| Borrowing                                 | (21,897)              | (17,988)           | 3,909                         |
| <b>Total Funding</b>                      | <b>(48,674)</b>       | <b>(25,982)</b>    | <b>22,692</b>                 |

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

| Variances – 2021/22 Latest Budget to Q2 |   |          |                 |
|---|---|----------|-----------------|
| 1                                       | <b>Reprofiling between 2021/22 and 2022/23</b>                            | £'000    | £'000           |
| i)                                      | Corporate Property Development Projects                                   | (161)    |                 |
| ii)                                     | Biggins Wood Commercial Development                                       | (481)    |                 |
| iii)                                    | Biggins Wood Site Land Remediation Works                                  | (1,500)  |                 |
| iv)                                     | Greatstone Holiday Lets   | (1,847)  |                 |
| v)                                      | Coast Drive Seafront Development  | (893)    |                 |
| vi)                                     | East Cliff Landfill Protection (FPPG Charity)                             | (1,170)  |                 |
| vii)                                    | Coast Protection, Coronation Parade Folkestone                            | (730)    |                 |
| viii)                                   | Public Toilet Enhancement   | (197)    |                 |
| ix)                                     | Princes Parade Leisure Centre   | (15,540) |                 |
| x)                                      | Mountfield Business Hub   | 274      |                 |
| xi)                                     | Connect 38 CAT A Works  | (240)    |                 |
|   |   |          | <b>(22,485)</b> |
| <b>2</b>                                | <b>Reclassification between capital and revenue</b>                       |          |                 |
| i)                                      | Community Led Local Development ERDF Capital Projects (externally funded) | 165      |                 |
|   |   |          | <b>165</b>      |
| <b>3</b>                                | <b>Overspends</b>   |          |                 |
| i)                                      | Lower Sandgate Rd Beach Huts  | 34       |                 |
| ii)                                     | Otterpool Park Delivery Costs   | 90       |                 |

|          |  |       |  |                 |  |
|----------|--|-------|--|-----------------|--|
|          | iv) Other small overspends                                   | 1     |  | 1               |  |
|          |  |       |  | <b>125</b>      |  |
| <b>4</b> | <b>Underspends</b>   |       |  |                 |  |
|          | i) General Fund Property - Health and Safety Enhancements    | (10)  |  |                 |  |
|          | ii) Coastal Protection Beach Management                      | (77)  |  |                 |  |
|          | iii) Royal Military Canal Enhancements                       | (10)  |  |                 |  |
|          | iv) Disabled Facilities Grants                               | (400) |  |                 |  |
|          |  |       |  | <b>(497)</b>    |  |
|          | <b>Total change in overall capital programme for 2021/22</b> |       |  | <b>(22,692)</b> |  |

2.3 As the variance analysis in the table above shows, there is a significant projected reprofiling of budgets from 2021/22 to 2022/23 and beyond. Notably, £15.54m of planned expenditure for the Princes Parade Leisure Scheme is to be reprofiled. 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 Medium Term Capital Programme rather than the profiled amounts for each year.

2.4 Cabinet will receive an update to the Medium Term Capital Programme (MTCP) through to 2026/27 in January 2022, as part of the annual budget process, and this will include the latest forecast profiling of expenditure for all the current approved General Fund capital schemes. As part of this update, it may be necessary to consider the allocation of the approved capital budgets between the Otterpool Land Acquisition and Otterpool Further Investment (funding of the LLP Delivery Vehicle) schemes to reflect the most appropriate and effective way of delivering the overall objectives for the Otterpool Park development.

### 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 2021/22 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 2021/22 requires a significant level of borrowing to support it. The capital schemes in 2021/22 planned to be supported by borrowing are:

|   |               |
|---|---------------|
|   | £'000         |
| i) Otterpool Park acquisitions                  | 6,324         |
| ii) Otterpool Park Delivery Vehicle             | 90            |
| iii) Otterpool Further Investment               | 5,000         |
| iv) Otterpool Park Masterplanning Costs         | 995           |
| v) Veolia Waste Contract                        | 1,484         |
| vi) Oportunitas Phase 2 funding                 | 2,420         |
| vii) Temporary Accommodation                    | 274           |
| viii) Princes Parade Leisure Centre             | 1,197         |
| ix) Lower Sandgate Road Beach Huts (Charity)    | 54            |
| x) Coastal Park Toilet and Concession (Charity) | 150           |
| <b>Total</b>                                    | <b>17,988</b> |

3.3 The borrowing required is consistent with the council's approved Capital Strategy for 2021/22.

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>   |
|--|----------------|
| Total receipts in hand at 30 September 2021                    | (9,879)        |
| Less:  |                |
| Committed towards General Fund capital expenditure             | 2,545          |
| Committed towards HRA capital expenditure                      | 5,510          |
| Ring-fenced for specific purposes                              | 78             |
| Contingency for urgent or unforeseen capital expenditure       | 500            |
| <b>Balance available to support new GF capital expenditure</b> | <b>(1,246)</b> |

#### 4. CONCLUSIONS

4.1 The projected outturn shown for the General Fund capital programme for 2021/22 reflects the position based on actual expenditure and forecasts at 31 August 2021. The projected outturn will be reviewed, updated and reported to Cabinet as part of the budget monitoring process for 2021/22.

#### 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 (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 Communication Officer's Comments (JW)

There are no communication issues arising directly from this report

### 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

*Lee Walker, Group Accountant*

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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 2021/22 Projected Outturn