

This Report will be made public on 18 January 2022

Report Number **C/21/60**

To: Cabinet
Date: 26 January 2022
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 updated projection of the current financial position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 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/21/60.

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 30 November 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. Cabinet considered an initial projected outturn position for the General Fund capital programme in 2021/22 on 24 November 2021 (minute 51 refers).
- 1.3 On 24 November 2021 Full Council approved further changes to the MTCP for (i) £400k for works to the Connect 38 building, (ii) up to £408k for the Biggins Wood Development and (iii) £745k for Street Lighting works (minute 50 refers).
- 1.4 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.
- 1.5 An update to the MTCP for the five year period ending 31 March 2027 is planned to be made to Cabinet and Full Council on 23 February 2022. The MTCP update is expected to include the latest position for the Princes Parade scheme. It may also 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.

2. CAPITAL PROGRAMME 2021/22 – PROJECTED OUTTURN

- 2.1 The planned expenditure on all General Fund capital schemes in 2021/22, based on expenditure to 30 November 2021, is anticipated to be £20,279,000 a reduction of £29,548,000 compared to the approved budget of £49,827,000. Full details are shown in **appendix 1**. The following table summarises the position across the Council's service units and also outlines the impact on the capital resources required to fund the expenditure:

| General Fund Capital Programme Q3 2021/22 | Latest Budget 2021/22 | Projection 2021/22 | Variance Budget to Projection |
|--|------------------------------|---------------------------|--------------------------------------|
| | £'000 | £'000 | £'000 |
| Service Units | | | |
| Operations | 10,083 | 1,632 | (8,451) |
| Corporate Services | 2,496 | 1,416 | (1,080) |
| Housing | 1,927 | 1,587 | (340) |
| Transformation & Transition | 21,327 | 6,123 | (15,204) |
| Economic Development Place | 0 | 625 | 625 |
| | 13,994 | 8,896 | (5,098) |
| Total Capital Expenditure | 49,827 | 20,279 | (29,548) |
| Capital Funding | | | |
| Capital Grants | (6,479) | (7,652) | (1,173) |
| External Contributions | (2,142) | (369) | 1,773 |
| Capital Receipts | (17,019) | (884) | 16,135 |
| Revenue | (2,290) | (747) | 1,543 |
| Borrowing | (21,897) | (10,627) | 11,270 |
| Total Funding | (49,827) | (20,279) | 29,548 |

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

| 1 | Reprofiling between 2021/22 and 2022/23 | £'000 | £'000 |
|----------|--|--------------|--------------|
| i) | Ship Street Site Folkestone | (111) | |
| ii) | Land at Otterpool | (2,382) | |
| iii) | Otterpool Further Investment | (3,500) | |
| iv) | Otterpool Park Masterplanning Costs | 805 | |
| v) | Otterpool Park Delivery Costs | 90 | |
| vi) | Biggins Wood Site Land Remediation Works | (2,560) | |
| vii) | District Street Lights | (745) | |
| viii) | Coast Drive Seafront Development | (893) | |
| ix) | East Cliff Landfill Protection (FPPG Charity) | (1,170) | |
| x) | Coast Protection, Coronation Parade Folkestone | (730) | |
| xi) | Public Toilet Enhancement | (197) | |
| xii) | Princes Parade Leisure Centre | (15,540) | |
| xiii) | Mountfield Business Hub | 336 | |
| xiv) | Connect 38 CAT A Works | (240) | |

| | | | |
|----------|--|---------|------------------------|
| xv) | Oportunitas Phase 2 Funding | (1,080) | |
| xvi) | Greatstone Holiday Lets Scheme (Varne) | (1,847) | |
| | | | <u>(29,764)</u> |
| 2 | Reclassification between capital and revenue | | |
| i) | Community Led Local Development ERDF Capital Projects (externally funded) | 625 | |
| | | | <u>625</u> |
| 3 | Overspends | | |
| i) | Lower Sandgate Road Beach Huts (FPPG Charity) | 27 | |
| ii) | Home Safe Loans | 60 | |
| iii) | Other small overspends | 1 | |
| | | | <u>88</u> |
| 4 | Underspends | | |
| i) | General Fund Property - Health and Safety Enhancements saving | (10) | |
| ii) | Coast Protection Beach Management – Budget adjusted to reflect the grant awarded by the Environment Agency for a 5 year programme of works from April 2020 to March 2025 | (77) | |
| iii) | Royal Military Canal footpath enhancements saving | (10) | |
| iv) | Disabled Facilities Grants - Occupational Therapist Service recommenced their home assessment visits part way through the year | (400) | |
| | | | <u>(497)</u> |
| | Total change in overall capital programme for 2021/22 | | <u>(29,548)</u> |

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 MTCP rather than the profiled amounts for each year.

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 | 3,942 |
| ii) Otterpool Park Delivery Vehicle | 90 |
| iii) Otterpool Further Investment | 1,500 |
| iv) Otterpool Park Masterplanning Costs | 1,800 |
| v) Veolia Waste Contract | 1,484 |
| vi) Oportunitas Phase 2 funding | 1,340 |
| vii) Temporary Accommodation | 274 |
| ix) Lower Sandgate Road Beach Huts (Charity) | 47 |
| x) Coastal Park Toilet and Concession (Charity) | 150 |
| Total | 10,627 |

- 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, including proposed capital growth for 2022/23 consider by Cabinet on 15 December 2021 (minute 56 refers), is shown in the following table:

| Capital Receipts Position Statement | £'000 |
|--|--------------|
| Total receipts in hand at 30 November 2021 | (10,145) |
| Less: | |
| Committed towards General Fund capital expenditure | 3,509 |
| Committed towards HRA capital expenditure | 5,669 |
| Ring-fenced for specific purposes | 78 |
| Contingency for urgent or unforeseen capital expenditure | 500 |
| Balance available to support new GF capital expenditure | (389) |

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 30 November 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 | High | A review of existing approved capital schemes is being undertaken as part of the next 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. |

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 (LW)

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, 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 2021/22 Projected Outturn