

This Report will be made public on 14 April 2022

Report Number **C/21/98**

To: Cabinet
Date: 13 April 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 the latest projection of the current financial position for the General Fund capital programme in 2021/22, based on expenditure to 31 January 2022, 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/21/98.

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 in 2021/22, based on expenditure to 31 January 2022, 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 latest budget for the MTCP to 31 March 2027 on 10 February 2022 (Report A/21/27 refers). This included the latest approved profiled budget of about £22.8m for the current financial year.

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 £14,546,000 a reduction of £8,260,000 compared to the latest budget of £22,806,000. 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 Q4	Latest Budget 2021/22	Projection 2021/22	Variance Budget to Projection
<u>Service Units</u>	£'000	£'000	£'000
Operations	1,712	876	(836)
Corporate Services	1,416	1,416	0
Housing	1,587	1,559	(28)
Transformation & Transition Place	6,927	4,951	(1,976)
Economic Development	10,539	5,371	(5,168)
	625	373	(252)
Total Capital Expenditure	22,806	14,546	(8,260)
<u>Capital Funding</u>			
Capital Grants	(5,652)	(4,561)	1,091
External Contributions	(1,188)	(985)	203
Capital Receipts	(884)	(576)	308
Revenue	(747)	(712)	35
Borrowing	(14,335)	(7,712)	6,623
Total Funding	(22,806)	(14,546)	8,260

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 Q4			
1	Reprofiling between 2021/22 and 2022/23	£'000	£'000
i)	Royal Military Canal Enhancements	(10)	
ii)	Biggins Wood Site Land Remediation Works	(120)	
iii)	Electric Vehicle Charging Points	(40)	
iv)	Coast Drive Seafront Development	11	
v)	Coastal Park Play Equipment (FPPG Charity)	(62)	
vi)	Coastal Park Toilet and Concession	(147)	
vii)	East Cliff Landfill Protection (FPPG Charity)	(22)	
viii)	Hawkinge Depot Upgrade	(75)	
ix)	Units 1-5 Learoyd Road New Romney	(197)	
x)	Coast Protection, Coronation Parade Folkestone	(19)	
xi)	Coast Protection - Hythe to Folkestone Beach Management	(55)	
xii)	Public Toilet Enhancement	(104)	
xiii)	Veolia Waste Contract	(29)	
xiv)	Otterpool Park	(5,139)	
xv)	Temporary Accommodation	(107)	
xvi)	Home Safe Loans	(81)	
xvii)	Princes Parade Leisure Centre	(1,212)	
xviii)	Mountfield Road Employment Land	(764)	
xix)	CLLD ERDF Capital Projects	(252)	
			(8,424)
2	Overspends		
i)	Lifeline Capitalisation	15	
ii)	Disabled Facilities Grants (met from govt. grant)	160	
			175
3	Underspends		
i)	Connect 38 CAT A Works	(8)	
ii)	General Fund Property - Health and Safety Enhancements	(3)	
			(11)
	Total change in overall capital programme for 2021/22		(8,260)

2.3 As the analysis in the table above shows, the main reason for the projected variance is the reprofiling of expenditure from 2021/22 to 2022/23. 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.

2.4 **Play Area Improvements** – The Council has been awarded £164k from the Contain Outbreak Management Fund (COMF) administered by Kent County Council to be used towards community parks within the district. The COMF is a government funded initiative in responses to Covid-19 aimed at encouraging communities to utilise outside spaces to reduce the transmission of the virus. Three sites have been identified for this funding they represent strategically important play areas as outlined in the Play Strategy. The three sites that will benefit from this funding are:

	£'000
1 Oak Drive Play Area, St Mary's Bay	60
2 Morehall Recreation Ground, Folkestone (FPPG Charity)	50
3 Cheriton Recreation Ground, Folkestone	45
Contingency	9
Total COMF allocation	<u><u>164</u></u>

2.5 In addition, £12k is being utilised from Section 106 receipts towards the Cheriton Recreation Ground to meet the cost of new play equipment being provided there. These play improvements are due to commence from April 2022 and orders have been placed for the works.

2.6 The total budget for the play area improvements of £176k is not included in the approved MTCP and will need to be submitted to Full Council for approval during 2022/23, with works progressing in the meantime in order to deploy the grant funding within the deadline.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

3.1 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 financing costs from the borrowing have been included in the Council's future budget projections. The capital schemes in 2021/22 planned to be supported by borrowing are:

	£'000
i) Lower Sandgate Rd Beach Huts	47
ii) Coast Drive Seafront Development	11
iii) Coastal Park Toilet and Concession	3
iv) Otterpool Park	3,916
v) Veolia Waste Contract	1,455
vi) Oportunitas Loan and Share Capital Phase 2	1,340
vii) Temporary Accommodation	167
viii) Princes Parade Leisure Centre	773
Total	<u><u>7,712</u></u>

3.2 The projected use of revenue resources to fund capital expenditure of £712k in the current financial year, summarised in section 2 of the report, is

reflected in the latest General Fund monitoring report for 2021/22, due to be considered by Cabinet as part of this agenda.

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

Capital Receipts Position Statement	£'000
Total receipts in hand at 28 February 2022	(10,656)
Less:	
Committed towards General Fund capital expenditure	3,614
Committed towards HRA capital expenditure	6,096
Ring-fenced for specific purposes	78
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new GF capital expenditure	(368)

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 January 2022.
- 4.2 The Play Area Improvements capital scheme budget of £176k will need to be submitted to Full Council for approval during 2022/23
- 4.3 The Council remains on track to deliver the schemes within its approved Medium Term Capital 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	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.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

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 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 (JW)

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

6.5 Climate Change Implications (OF) *[Pilot reporting period]*

There are no climate change implications arising directly from this report. 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