

This Report will be made public on 15 January 2024.

Report Number **C/23/79**

To: Finance & Performance Sub-Committee
Date: 23 January 2024
Status: Non-Key Decision
Head of Service: Lydia Morrison – Interim Director of Corporate Services and Governance
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME – QUARTER THREE BUDGET MONITORING 2023/24

Finance & Performance Sub-Committee are asked to review and note the Cabinet report below that will be presented to the Cabinet on 31st December 2024.

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 1 December 2023, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATION:

The Committee 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/23/79.

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 1 December 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 the 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.
- 1.3 The projections shown in the report are as at the third quarter in the financial year and may 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 £24,286k, resulting in a variance of £23,762k from the latest approved budget at quarter three.
- 2.2 Actual expenditure to 1 December 2023 is £9,611k a variance of £38,437k to the latest approved budget. This is due to delays in number of projects, and the levelling up project is in its early stages. However, it is expected that the capital commitments will increase during the rest of the financial year.
- 2.3 The table below provide an update on the 2023/24 Capital Programme analysed on a Directorate basis. A number of variations have arisen since the original programme was agreed at the end of February 2023 and subsequently revised via the Q2 Capital Monitoring Report. These include variations to spend forecasts and inclusion of additional grant funding and external contributions.
- 2.4 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 Q3 2023/24	Latest Budget 2023/24	Latest 2023/24 Projection	Q3 Variance
	£'000	£'000	£'000
Service Units			
Operations	7,738	8,038	300
Corporate Services	1,229	1,229	-
Housing	1,630	1,630	-
Governance, Law & Regulatory Services	27	27	-
Economic Development Place	12,207 25,217	3,060 10,302	(9,147) (14,915)
Total Capital Expenditure	48,048	24,286	(23,762)
Capital Funding			
Capital Grants	(14,117)	(5,946)	8,171
External Contributions	(553)	(406)	147
Capital Receipts	(3,106)	(2,823)	283
Revenue	(2,769)	(2,223)	546
Borrowing	(27,503)	(12,888)	14,615
Total Funding	(48,048)	(24,286)	23,762

2.5 At Quarter 3, there has been a net variation of £23 million as noted above, the main movements in this year's programme so far are in respect of reprofiling of budgets/projects into future years along with the inclusion of new funding and schemes into the programme.

2.6 The following table summarises the main variances:

Significant Variances	Q3 Variance
	£'000
Otterpool Park	(14,915)
Folkestone Brighter Place LUF	(9,147)
Princes Parade Leisure Centre	300
Total	(23,762)

- Otterpool Park and Folkestone Brighter Place projects are the Council's most significant projects and are expected to last several years. Following the review of the expenditure to date, the budgets has been reprofiled to future years. Otterpool will enter a transition period of between 18 - 24 months whilst a strategic partner is sought. The main works for Folkestone Brighter Place are due to start in the spring of 2024.
- To enable works to remove the hoarding and make the site safe works at Princes Parade budget allocated to future years has been allocated to 2023/24.

- Biggins Wood Remediation works, and Oportunitas Phase 2 have been completed and the final costs will be received shortly.
 - Mountfield Road and CLLD ERDF Capital projects has been completed and awaiting final invoices to be received for payment.
 - Work on Coast Drive Seafront Development, Units 1-5 Learoyd Road, the Stade Rental Huts, and Public Toilets (Changing Places) are yet to commence. The Public Toilet Enhancement are nearing completion while the Hawkinge Depot upgrade has been completed.
- 2.7 It is anticipated that further reductions and/or deferrals of budget will be made in last quarter. Such deferrals would reduce the borrowing costs incurred during 2023/24 and also delays the resultant Minimum Revenue Provision (MRP) charges into future years. Given the budgetary pressures that the Council faces, a review of the programme continues to try and identify schemes that may no longer be financially viable,

Reprofiling of the Capital Programme expenditure

- 2.8 Regular meetings are held with officers who are responsible for capital projects contained within the programme. During these meetings assessments are made regarding the deliverability of the schemes and their budgetary requirement for the year. These assessments are reflected in the forecast outturn provided through the quarterly update reports to Members. Should it be assessed that a scheme will continue into the next financial year, or beyond, budget is reprofiled as deemed appropriate at that time.
- 2.9 A scheme should not be paused or deferred into a future year if this action were to lead to avoidable detrimental effects on the Council. The project lead officers determine if a scheme is appropriate for deferral and manage any risks or negative impacts associated with this decision. Schemes that are part or fully funded from grant require additional consideration before deferral, so as not to compromise the conditions of the grant agreements, which may jeopardise the scheme funding.
- 2.10 A review of the expenditure profile within the Capital Programme is continuing and is likely to lead to a further reduction in anticipated spend for the 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 funding from available or realised capital resources and that new borrowing should only be used as the last resort, 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 within section 2 of this report, the council's projected capital expenditure for 2023/24 requires a significant level of borrowing to support the programme. The capital schemes in 2023/24 planned to be supported by borrowing are:

	£'000
Princes Parade Leisure Centre	550
Coast Drive Seafront Development	844
Coastal Park Toilet and Concession	128
Otterpool Park	10,287
Veolia Waste Contract	15
Oportunitas Phase 2 funding	970
Temporary Accommodation	94
Total	12,888

- 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:

Capital Receipts Position Statement	£'000
Opening Balance at 1 April 2023	7,859
<u>Less:</u>	
Committed towards General Fund capital expenditure	(5,983)
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
Balance available to support new GF capital expenditure	1,260

4. CONCLUSIONS

- 4.1 The projected outturn shown for the General Fund capital programme for 2023/24 reflects the position based on projected and forecasts at 1 December 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 projected outturn to latest budget, this will continue to be reviewed as part of the budget monitoring cycle for the MTCP and further update will be provided during the quarter four 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)**

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)
Tel: 01303 853583. e-mail :daniella.loxton@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 2023/24 Projected Outturn