

This Report will be made public on 20 September 2022

Report Number **A/22/17**

To: Council
Date: 28 September 2022
Status: Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader and Portfolio Holder for Finance
Councillor David Godfrey – Cabinet Member for Housing and Special Projects

SUBJECT: UPDATE TO THE GENERAL FUND AND HOUSING REVENUE ACCOUNT CAPITAL PROGRAMMES

SUMMARY: This report updates the General Fund and Housing Revenue Account Capital Programmes for changes which have occurred since the Council approved the budget for these on 10 and 23 February 2022 respectively. Changes to the Capital Programme, including updated Capital Prudential Indicators, are required to be submitted to full Council for consideration and approval.

RECOMMENDATIONS:

1. To receive and note report A/22/17.
2. To approve the changes to the General Fund and Housing Revenue Account Capital Programmes outlined in section 2 of the report.
3. To approve the updated Capital Prudential Indicators outlined in section 3 of the report.

1. INTRODUCTION AND BACKGROUND

- 1.1 Full Council approved the current General Fund Medium Term Capital Programme (MTCP) for the rolling five year period to 31 March 2027 on 10 February 2022 (minute 57 refers) and the Housing Revenue Account (HRA) Capital Programme for 2022/23 on 23 February 2022 (minute 68 refers). Since then, one new capital scheme has come forward for inclusion in the MTCP. There are also two schemes originally included as growth items as part of the Budget Strategy for 2022/23 approved by full Council on 10 February 2022 (minute 56 refers) that were not fully reflected in the MTCP. Additionally, this report seeks approval to increase the budget for the Ship Street Development in Folkestone which includes an element to be met by the HRA capital programme.
- 1.2 This report summarises the impact to the MTCP from these changes, including capital financing, and outlines amendments required to the Capital Prudential Indicators from this. Full Council approval is required for the changes proposed in the report.

2. CAPITAL PROGRAMME CHANGES

- 2.1 The proposed changes to the MTCP are summarised below:

i) Play Area Improvements (new scheme)

Proposed Budget	£176,000
Capital Funding = Grant	£164,000
Capital Funding = Section 106	<u>£12,000</u>
Total Capital Funding	<u>£176,000</u>

Scheme initially reported to Cabinet in the General Fund Capital Budget Monitoring 2021/22 report on 26 April 2022 (minute 101 refers). The Council has been awarded £164k from the Contain Outbreak Management Fund (COMF) to use towards community parks. The three sites identified as being strategically important play areas for improvement are:-

- Oak Drive Play Area, St Mary's Bay
- Morehall Recreation Ground, Folkestone (FPPG Charity)
- Cheriton Recreation Ground, Folkestone (£12k of Section 106 monies also to be applied towards this site)

The improvement works for these sites were commissioned earlier this year and have now been completed.

ii) Website Content Management System (CMS) Replacement (growth item)

Budget	£130,000
Capital Funding = Capital Receipts	£130,000

This scheme, to support the digital delivery of services, is to be funded under the Flexible Use of Capital Receipts guidance.

iii) ICT Improvement Costs (growth item)

Full Budget	£314,000
Budget already approved	<u>£192,000</u>
Additional budget to approve	£122,000
Capital Funding = Capital Receipts	£122,000

This scheme, to support the digital delivery of services through the migration of Revenues and Benefits system to an externally hosted service, is to be funded under the Flexible Use of Capital Receipts guidance.

2.2 Members are reminded that full Council approved the Flexible Use of Capital Receipts Strategy 2022/23 on 27 July 2022 (minute 24 refers), and both the Website CMS and ICT Improvement schemes were identified within it to be funded by capital receipts under the guidance.

2.3 Ship Street Development

2.3.1 At the time of writing this report, Cabinet, on 21 September 2022, was due to consider and approve the **'Ship Street Development – Next Steps'** report (report number C/22/38 refers) outlining what needs to be done next to progress the redevelopment of the Ship Street site in Folkestone.

2.3.2 In summary, the report outlines that public funding is required to remediate the Ship Street site. The optimum means to secure funding to produce a methodology and plan for the remediation of the site is by making a planning application for a residential led scheme. By doing so, the Council can retain control of this critical housing led regeneration project and de-risk the site. It is proposed the Council will appoint a design team to develop the scheme to RIBA stage 3 and submit a full planning application. To achieve this, the Council will procure a design led team using the Homes England Multi-Disciplinary framework.

2.3.3 The estimated cost of the professional fees to appoint the design team including the associated consultants to get to RIBA stage 3 and submit a planning application are c.£500K. Cabinet has previously agreed a budget for Ship Street of £230K. Approximately £120K of this has been spent on site investigation works, wall surveys, site management, consultants, initial capacity studies and a resident engagement event. This leaves approximately £110K of available budget. Homes England have offered funding of £60K towards the design development of the scheme.

2.3.4 Council is asked to provide a further £350K to cover the additional sums required for the design team and planning submission and a small contingency, to be split 70% to the **General Fund (£245K)** and 30% to the **HRA (£105K)** in line with the original site acquisition. The £350K can be met from capital receipts earmarked for the General Fund and HRA respectively. A further report will be made to Cabinet on the proposed development of the site after planning permission has been granted.

3. UPDATE TO CAPITAL PRUDENTIAL INDICATORS 2022/23

- 3.1 As a result of the changes to the capital programmes outlined above, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code requires full Council to approve revised prudential indicators for capital expenditure and financing. In addition to the changes to the MTCP outlined above, the prudential indicators will need to reflect the reprofiling of capital expenditure from 2021/22 to 2022/23, reported to Cabinet on 16 June 2022 in the General Fund Capital Programme Provisional Outturn 2021/22 report (minute 4 refers).
- 3.2 The revised estimate of capital expenditure planned for 2022/23 is summarised in table 1, below:

Table 1: Prudential Indicator – Estimate of Capital expenditure

	2022/23 Approved Budget	Reprofiled Budget from 2021/22	Budget Changes	2022/23 Revised Budget
	£m	£m	£m	£m
General Fund services	21.671	1.993	0.673	24.337
Council housing (HRA)	14.697	-	0.105	14.802
Capital investments	14.342	6.123	-	20.465
TOTAL	50.710	8.116	0.778	59.604

- 3.3 The revised estimate of capital financing for 2022/23 is summarised in table 2, below:

Table 2: Prudential Indicator – Estimate of Capital Financing

	2022/23 Approved Budget	Reprofiled Budget from 2021/22	Budget Changes	2022/23 Revised Budget
	£m	£m	£m	£m
External sources	6.168	1.415	0.176	7.759

Own resources	22.268	0.388	0.602	23.258
Debt	22.274	6.313	-	28.587
TOTAL	50.710	8.116	0.778	59.604

3.4 None of the other existing approved capital prudential indicators are affected by the proposed changes to the capital programmes and, therefore, are excluded from this report.

4. CONCLUSIONS

4.1 Full Council approval is required for the changes to the General Fund and HRA capital programmes outlined above.

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	Schemes supported by grant funding will only commence once fully approved and committed by the relevant body. Revenue resources required to fund capital expenditure are covered by Earmarked Reserves and have been factored into the Council's medium term financial planning
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.
Non-compliance with the requirements of the Prudential Code	High	Low	Approval of this report meets the requirements of the Prudential Code

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. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. Generally the Council must take into account its fiduciary duties to local tax payers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

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 Climate Change Implications (AT)

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 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

6.5 Communication Officer's Comments (KA)

There are no communication issues arising directly from this report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers 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