

THE GENERAL FUND CAPITAL PROGRAMME 2022/23 TO 2027/28																																																			
	INTRODUCTION																																																		
1.	<p>The purpose of this report is to update and to inform Council of any major changes in the overall General Fund (GF) Capital Programme for the period of 2022/23 to 2027/28, highlighting the changes in the programme since the last reported position to Cabinet in February 2023.</p> <p>The net result of the changes since the previous report is an increase to the General Fund programme of £11.17M.</p>																																																		
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2.	Table 1 shows a comparison of the latest capital expenditure for the period 2022/23 to 2027/28 compared to the previously reported programme.																																																		
	<p><u>Table 1 – Programme Comparison</u></p> <table border="1"> <thead> <tr> <th>Reported Programme</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td>98.15</td> <td>92.84</td> <td>60.40</td> <td>38.10</td> <td>76.93</td> <td>1.00</td> <td>367.41</td> </tr> <tr> <td>Previous</td> <td>118.68</td> <td>100.55</td> <td>40.09</td> <td>37.92</td> <td>59.02</td> <td>0.00</td> <td>356.25</td> </tr> <tr> <td>Variance</td> <td>(20.53)</td> <td>(7.70)</td> <td>20.31</td> <td>0.18</td> <td>17.91</td> <td>1.00</td> <td>11.17</td> </tr> </tbody> </table> <p style="text-align: right;"><i>NB: Table include rounded figures</i></p>							Reported Programme	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M	Latest	98.15	92.84	60.40	38.10	76.93	1.00	367.41	Previous	118.68	100.55	40.09	37.92	59.02	0.00	356.25	Variance	(20.53)	(7.70)	20.31	0.18	17.91	1.00	11.17												
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3.	Table 2 below details the General Fund Capital Programme by portfolio and shows the increase of £11.17M to a total of £367.41M.																																																		
4.	Paragraph 5 and annex 4.1 summarise the new schemes and changes to existing schemes by individual portfolio programmes.																																																		
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6.	New additions total £23.72M and are offset by reductions to the programme of £12.56M. Details of the major projects are given in paragraphs 12-31.
7.	Approval is sought for the addition and spend of £10.45M to the General Fund programme to be funded as set out in annex 4.1.
8.	Approval is sought for the addition of £13.27M to the General Fund programme to be funded as set out in annex 4.1. The outdoor sports centre project is subject to a further approval to spend, as noted in paragraphs 10 and 16.
9.	Approval is sought for the reduction of £13.22M to the General Fund capital programme, as set out in paragraphs 12 to 31 and annex 4.1.
10.	Approval to spend is sought for £3.18M, £1.68M in 2022/23 and £1.50M in 2023/24 to progress delivery of the Masterplan of Improvements to Southampton's Outdoor Sports Centre, as detailed in paragraph 16.
11.	As part of the appraisal process, all projects are assessed to ensure that they meet the objectives of the Council. Table 3 summarises the items of major spend by programme.

Table 3 – Capital Spend by Programme

Programme	Major Project	2022/ 23 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M
Children & Learning	Early Years Expansion	0.23	0.23	0.00	0.00	0.00	0.00
	School Capital Maintenance	2.24	2.23	2.04	0.35	0.00	0.00
	Secondary Review & Expansion	8.94	0.96	2.99	0.00	0.00	0.00
	SEND Review & Expansion	5.11	3.45	3.89	8.78	25.82	0.00
	Childrens Services - Residential/Assessment Unit	0.05	2.26	0.00	0.00	0.00	0.00
	Other	1.74	0.04	0.00	0.00	0.00	0.00
Communities & Customer Engagement	Crematorium Refurbishment	0.51	0.00	0.00	0.00	0.00	0.00
	Other	0.21	0.00	0.00	0.00	0.00	0.00
Economic Development	Property Portfolio Enhancements	1.21	1.69	0.00	0.00	0.00	0.00
	Corporate Council Buildings	0.65	0.67	0.00	0.00	0.00	0.00
Finance & Change	Digital & IT	4.71	2.23	1.02	0.00	0.00	0.00
	Corporate Assets Decarbonisation Scheme (CADS)	1.28	4.65	0.00	0.00	0.00	0.00
	Materials Recycling Facility	0.00	0.00	0.00	3.45	0.00	0.00
	Transformation Programme	1.20	1.80	0.00	0.00	0.00	0.00
	Other	0.39	0.65	0.00	0.00	0.00	0.00
Health, Adults & Leisure	Outdoor Leisure	1.68	3.40	15.00	9.00	1.01	0.00
	Adult Social Care Projects	0.19	0.82	0.00	0.00	0.00	0.00
	Other	0.52	0.00	0.00	0.00	0.00	0.00
	River Itchen Flood Alleviation Scheme (RIFAS)	0.00	0.50	4.00	4.20	0.50	1.00

	Housing & the Green Environment	Fleet Investment	2.02	1.85	1.00	1.00	1.00	0.00
		Play Area Improvements	0.31	0.84	0.35	0.00	0.00	0.00
		Parks Development Works	2.13	1.52	0.00	0.00	0.00	0.00
		Coastal Erosion Measures	1.08	0.00	0.00	0.00	0.00	0.00
		Disabled Facilities Grant	1.78	3.39	1.90	0.00	0.00	0.00
		1000 Parking Spaces (GF)	1.37	0.00	0.00	0.00	0.00	0.00
		Other	1.82	0.41	0.00	0.00	0.00	0.00
	Leader	Heritage	2.17	4.46	2.35	0.75	0.00	0.00
	Safer City	Community Safety	0.66	0.00	0.00	0.00	0.00	0.00
	Transport & District Regeneration	Bridges Programme	0.63	1.46	4.50	0.00	0.00	0.00
		Highways Programme	16.31	15.08	9.54	0.75	0.00	0.00
		Integrated Transport	6.04	8.94	7.74	9.38	48.61	0.00
		Transforming Cities	27.89	19.89	0.01	0.00	0.00	0.00
		Future Transport Zone	3.02	8.18	4.08	0.44	0.00	0.00
		Other	0.07	1.26	0.00	0.00	0.00	0.00
		TOTAL	98.15	92.84	60.40	38.10	76.93	1.00

NB: Table includes rounded numbers

MAJOR PROGRAMME CHANGES

Children & Learning – Nil Net Movement

12. Due to the current difficult economic and financial environment the Council is working in, an extensive prioritisation exercise has been undertaken of the full Children & Learning programme. Several projects have seen significant construction cost increases since setting the original budgets, making it unaffordable to proceed as originally intended. Therefore, the review has led to a significant re-phasing of projects, particularly within Schools Condition Works. This has allowed for a reduction in borrowing, resulting in a revenue saving, as the school projects will now be fully funded by Government Grants. Some projects have also been identified as requiring further business cases, which will be presented to Capital Review Group, to assess where changes to scope and budget may be appropriate.

Economic Development - £0.15M Decrease

13. **Town Depot (£0.15M reduction)**
A historic budget held to support development at the old Town Depot site. Development is still continuing but there is no obligation for the Council to fund. This reduction was to be funded from Council Resources.

Finance & Change - £1.53M Decrease

14. **Materials Recycling Facility (£0.53M addition)**
As part of the Tri-partite agreement for delivering waste services we are responsible for ensuring suitable facilities are available. With the increasing need recycle more, a new provision is being proposed for which we already have a budget in the programme. Hampshire County Council are leading on the scheme and have now provided updated costings, of which the Council

	<p>is contractually obliged to pay 11.48% of the cost of the shared infrastructure. Therefore, additional budget is required to increase the project to £3.45M in total. The project is currently at planning approval stage and will therefore slip until 2025/26. This addition will be funded by Council Resources.</p>
15.	<p><u>Civic Centre Upgrade (£2.00M reduction)</u></p> <p>The construction element of this project has now come to end, after successfully implementing The Way We Work model across the organisation. This reduction was to be funded by Council Resources.</p>
	<p><u>Health, Adults & Leisure - £13.27M Increase</u></p>
16.	<p><u>Outdoor Sport Centre (£13.27M addition)</u></p> <p>The exciting plans to expand inclusive access to sport and opportunities to be active at Southampton's Outdoor Sports Centre have been given the green light by the Levelling Up Fund (LUF) and the council's attention can now turn to delivering the improvements, cementing the legacy of the UEFA Women's Euros in Southampton while reducing inequality in physical activity and helping to improve quality of life in the city.</p> <p>The Masterplan of Improvements to Southampton's Outdoor Sports Centre is expected to deliver £98.8M of monetised benefits.</p> <p>The £20M grant award will enable the Council to deliver an enhanced £30M project and has enabled a reduction in Council Resources, which has resulted in the £13.27M net increase. At time of writing this report, phasing and delivery of the funding is unknown and therefore it should be noted that the phasing of the budget is provisional.</p> <p>Approval to spend had not previously been given for this project, whilst awaiting the outcome of LUF bid. Therefore, approval is sought for the spend of £3.18M (£1.68M in 2022/23 and £1.50M in 2023/24) to allow works to progress immediately with a pre-construction services agreement (PCSA) and complete planning approval. The full business case for the project will then be reported in Autumn 2023.</p>
	<p><u>Housing & the Green Environment - £1.12M Increase</u></p>
17.	<p><u>Disabled Facilities Grant (£3.80M addition)</u></p> <p>The additional is the funded awarded from the Better Care Fund to support disabled adaptations to enable residents to remain in their homes and have their support needs met. The next two years grant allocation have been added, £1.90M in 2023/24 and £1.90M in 2024/25. This will be funded by Government Grant.</p>
18.	<p><u>SANGS Improvements Works (£0.74M addition)</u></p> <p>The Council has committed to mitigating the impacts to Special Protection Areas from development. It has previously been agreed that 10% of all receipts taken under the Community Infrastructure Levy (CIL) would be used towards the provision of public open space and/or Suitably Accessible Natural Green Space (SANGS) within the City, with a minimum of 5% directed</p>

	specifically towards SANGS. From January 2019 20% of the ring-fenced SANGS contribution will be directed towards the mitigation within the New Forest. Work will be undertaken across the city to improve footpaths and greenways. This will be funded by CIL contributions.
19.	<u>Members Minor Works - Parks and Open Spaces (£0.24M addition)</u> This is a virement from the Local Transport Improvement Fund (MMW) project, see paragraph 28, so nil net effect on the programme. It will better align the funding to the service responsible for delivery and allow project managers greater control over their budgets. This will be funded by CIL contributions.
20.	<u>Green City Action Plan (£0.48M reduction)</u> Future projects will be subject to individual business cases being assessed before being added to the programme at a later date. This reduction was to be funded by Council Resources.
21.	<u>Purchase of Fleet Vehicles (£2.00M reduction)</u> A Fleet Modernisation project is to be undertaken in 2023/24 to assess the Council's current and future needs. Once the outcome of this is known, an updated fleet procurement strategy will be able to be developed which will inform the capital programme. This reduction was to be funded by Council Resources.
22.	<u>1000 Parking Spaces (GF Element) (£0.75M reduction)</u> The 1000 parking spaces project remains under active review. The remaining budget is being reduced and the expectation is any new spend will be covered by existing budgets for the General Fund. This reduction was to be funded by Council Resources.
23.	<u>S106 - Open Spaces (£0.43M reduction)</u> Following a review of all S106 contributions, it has been decided to use these funds to reduce borrowing within the Open Spaces programme overall, making use of the funds as they were intended under the S106 agreements and enhancing parks and open spaces within the City.
	<u>Transport & District Regeneration - £1.55M Decrease</u>
24.	<u>S106 Contributions (£0.27M net addition)</u> Addition of S106 contributions received in the year, to allow work to be undertaken as set out within the S106 agreements, as set out in the summary below.

	Project	2023/24 £M	2024/25 £M	Total £M																																
	Travel to School	0.00	0.07	0.07																																
	Accessibility	0.00	0.01	0.01																																
	Bus Corridor Minor Works	0.01	0.05	0.06																																
	Improved Safety	0.10	0.00	0.10																																
	Highways Improvements (Developer)	(0.10)	0.04	(0.06)																																
	Street Lighting	0.02	0.00	0.02																																
	Transforming Cities Fund	0.09	0.00	0.09																																
	Cycling	0.03	0.00	0.03																																
	S106 – Highways	(0.05)	0.00	(0.05)																																
	Total Net Addition	0.10	0.17	0.27																																
25.	<p><u>Highways Budgets (nil net movement)</u></p> <p>An extensive review has been undertaken to ensure that the budgets for the next two years are accurate and reflect anticipated spend. Previously when budget has been added it was allocated to either the Highways or Additional Roads project code. These two projects have been combined to become the Carriageways programme, in an effort to simplify the budgets, giving clarity and transparency of the total spend. It also provides project managers greater control, by having budgets aligned to service delivery. £4.70M has then been reallocated, as shown below, to specific areas of spend which are separately identifiable within the Highways programme. The overall budget has not changed and approval to spend was given as part of the February 2022 budget update. The final programme is detailed in Annex 4.2. These projects are funded by Government Grants.</p> <table border="1"> <thead> <tr> <th>Project</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Pothole Action Fund</td> <td>0.50</td> <td>0.50</td> <td>1.00</td> </tr> <tr> <td>Footways - Various Treatments</td> <td>0.91</td> <td>0.91</td> <td>1.82</td> </tr> <tr> <td>Essential Highways Minor Works</td> <td>0.09</td> <td>0.09</td> <td>0.18</td> </tr> <tr> <td>Highways Drainage Investigations</td> <td>0.25</td> <td>0.25</td> <td>0.50</td> </tr> <tr> <td>Road Restraint Systems</td> <td>0.30</td> <td>0.30</td> <td>0.60</td> </tr> <tr> <td>Other Bridge Works</td> <td>0.30</td> <td>0.30</td> <td>0.60</td> </tr> <tr> <td>Carriageways</td> <td>(2.35)</td> <td>(2.35)</td> <td>(4.70)</td> </tr> </tbody> </table>				Project	2023/24 £M	2024/25 £M	Total £M	Pothole Action Fund	0.50	0.50	1.00	Footways - Various Treatments	0.91	0.91	1.82	Essential Highways Minor Works	0.09	0.09	0.18	Highways Drainage Investigations	0.25	0.25	0.50	Road Restraint Systems	0.30	0.30	0.60	Other Bridge Works	0.30	0.30	0.60	Carriageways	(2.35)	(2.35)	(4.70)
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26.	<p><u>M27/M3 Travel Demand Management (£0.36M reduction)</u></p> <p>The initial aim of the programme was to minimise disruption to customer journeys and business/service operations in the Solent area during the construction of the M27 and M3 smart motorways between 2020 and 2023. It was originally envisaged the programme would comprise of 3 work packages, funded from the award of £1.7M grant. These were: -</p> <ol style="list-style-type: none"> 1) Business engagement (to influence work and travel policies) 2) Strategic communications (to influence individuals towards more sustainable forms of transport) 3) Alternative public transport measures (such as temporary park and ride facilities and shuttle bus provision to business parks and other key locations). 																																			

	<p>Work packages 1 and 2 are revenue based and 3 involved potential capital spend. Almost immediately following the funding award Covid-19 lockdown happened, which restricted construction of the M27 J4-11 smart motorway. This meant that the disruption to customer journeys envisaged during the scheme didn't occur, nor was it possible to employ capital based alternative public transport options. The scheme was also caught up in the national moratorium for smart motorways.</p> <p>As a result of these factors National Highways have taken the decision to concentrate on work packages 1 and 2, and not utilise work package 3. To date the delivery team have worked successfully to deliver the active work packages, and the scope has been extended to the end of 2023/2024. Therefore, the funding now needs to transfer from capital to revenue, to support work delivery of packages 1 and 2. with the agenda of influencing moves to use of more sustainable and active travel modes, reduce traffic congestion and carbon emissions in Solent, and improve air quality.</p>
27.	<p><u>Other Bridge Works (£0.95M reduction)</u></p> <p>Funding had been earmarked within the budget to support the proposed enhancements to the Itchen Bridge, as this has now been added to the programme as a separate larger project, this funding is no longer required. This reduction was to be funded by Council Resources.</p>
28.	<p><u>ITS (£0.27M reduction)</u></p> <p>This budget is being reduced to transfer the grant funding to be used to support the Safer Street project. There were no specific plans for this element of the funding, so delivery of the ITS project will not be affected. This action will allow for a reduction in council resources.</p>
29.	<p><u>Local Transport Improvement Fund (MMW) (£0.24M reduction)</u></p> <p>This is a virement to the Members Minor Works - Parks and Open Spaces project, see paragraph 18, so nil net effect on the programme. It will better align the funding to the service responsible for delivery and allow project managers greater control over their budgets. This will be funded by CIL contributions.</p>
30.	<p><u>Northam Rail Bridge (nil net movement)</u></p> <p>This has been reprofiled to reflect a better understanding of when construction may be able to begin. The project is heavily reliant on grant funding and therefore timescales at present are largely out of our control. Work is continuing on the business case and should funding become available the Council will be in strong position to respond. The new estimated profile is detailed in annex 4.2.</p>
31.	<p><u>Future Transport Zone (FTZ) (nil net movement)</u></p> <p>In Oct 2022, the Solent FTZ programme received written notification from Department for Transport (DfT) that a request for an extension to the FTZ programme of one year (from June 2024 to June 2025) had been approved. No additional funding was requested beyond what was originally awarded and has been allocated as it was made very clear by the DfT that none was available.</p>

	<p>This extension provides additional scope for the FTZ to meet its original objectives and deliverables, while also enabling more comprehensive monitoring/evaluation and the ability to recruit and retain staff.</p> <p>As a result of this extension being granted a comprehensive financial reprofiling exercise has subsequently been undertaken to recognise and enable the extension of the programme for an additional year to June 2025 within the confines of the original funding award. A breakdown of individual projects is included in annex 4.2.</p> <p>Approval to spend is requested for the ongoing Future Transport Zone programme, £6.03M in 2022/23, £10.82M in 2023/24 and £5.40M in 2024/25.</p>
	FUTURE PLANS
32.	<p>Given the pressure on resources available to fund to the programme, priority has been given to reviewing existing budgets and delivery, which predominately is within the first 3 years of the programme. During 2023/24 further work will be undertaken to review years 4 and 5 to fully establish the needs of the Council and assess future funding, focusing on the Education, Transport and Highways programmes.</p>
33.	<p>Within the City there are a number of exciting opportunities that are being considered, to increase residents and visitors experience whilst in Southampton. Among these are the Outdoor Sports Centre, The Transforming Cities Fund (TCF), Special Educational Needs and Disability (SEND) support and River Itchen Flood Alleviation Scheme. A key development is also the Freeport.</p> <p>Southampton City Council is part of the Solent Freeport arrangement alongside other local councils and major businesses. Following work with the Local Enterprise Partnership, other local authorities and others, the council was part of a final business case submitted to Government which lead to the Freeport status being confirmed in November 2022.</p> <p>Freeports are areas designated by the government that will benefit from a range of incentives to encourage economic activity, which includes relief from business rates. Local authorities benefit from retaining 100% of the growth in business rates within the freeport area, and Southampton City Council has agreed to pool this benefit with other local authorities in order to maximise the return and invest the growth in developing the Freeport further. The benefits of the Freeport include:</p> <ul style="list-style-type: none"> • Tax sites gives businesses operating within them access to certain tax benefits i.e. Enhanced Capital Allowances, Enhanced Structures and Buildings Allowance, Stamp Duty Land Tax reliefs, Employers National Insurance Contribution relief, and Business rate relief • Customs sites gives businesses tariff benefits for non-GB goods imported into them • The current expected value of retained business rates is £485M over a 25-year period. This will be primarily applied to the shared Pool, and decisions taken via the Solent Freeport Board on how

	<p>this should be used to benefit the Freeport, the local economy and residents.</p> <ul style="list-style-type: none"> • £25M of Seed capital funding upfront from Government. • Expected investment from the private sector, seeking the benefits of the Freeport. This has been estimated at up to £1.6bn • A total of 26,000 jobs created in the Solent and £2.0bn of GVA.
34.	<p>In terms of future investment plans, the following are major schemes within the current capital programme:</p> <p>The Outdoor Leisure Centre (£30.1M): was recently the beneficiary of a successful bid for Levelling up funding, and this investment will allow for a major improvement and enhancement of these facilities. £20M of funding support is expected to assist with this investment from the successful bid.</p> <p>SEND support (£45.2M): major investment is planned to create more local places for SEND school support. This will expand, refurbish and reconfigure the specialist educational provision within the city to ensure that it is fit for the future with up to 246 additional places.</p> <p>Transforming Cities Fund (TCF) (£47.8M): This continues the work to deliver an ambitious proposal of transport investment to sustainably connect people from where they live to the City Centre, places of work, education and leisure, aiming to increase the number of people cycling, walking and using public transport, reduce congestion and to improve air quality.</p> <p>River Itchen Flood Alleviation Scheme (RIFAS) (£10.2M): This is planned as the Council contribution to a much larger investment scheme with the aim to better protect homes and businesses and support future regeneration opportunities by reducing flood risk.</p>
	<p>CAPITAL RESOURCES</p>
35.	<p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> • Council Resources – Borrowing – this is then funded via a capital financing cost from revenue; • Council Resources - Capital Receipts from the sale of HRA assets (which are then ring-fenced for HRA use with the housing stock); • Council Resources - Capital Receipts from the sale of General Fund assets; • Contributions from third parties; • Central Government Grants and from other bodies ; and • Direct Revenue Financing.
36.	<p>It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are non-ring fenced. However, in 2022/23 those grants have been passported to these areas. These assumptions will be monitored closely, and any updates reported as part on the monthly monitoring process; should any grants not materialise then the projects affected will need to be reconsidered.</p>

37.	The forecast for borrowing costs in 2022/23 is £16.67M, of which £5.15M relates to the HRA. This is expected to rise to £31.92M (£11.22M HRA) by 2025/26 to accommodate the capital programme, utilisation of reserves and refinancing of borrowing. More information can be found at section 2.4.10 of the Capital Strategy. The proportion of the revenue budget allocated to capital financing will increase from 9.4% for 2022/23 to 12.15% for 2025/26.																																
38.	Table 4 shows the current level of available resources.																																
	<p>Table 4 – Available Capital Funding</p> <table border="1"> <thead> <tr> <th>Resource</th> <th>Balance B/Fwd. £M</th> <th>Received to Date 2022/23 £M</th> <th>Allocated to Current Programme £M</th> <th>Available Funding £M</th> <th>Anticipated Receipts 2022/23 £M</th> </tr> </thead> <tbody> <tr> <td>Capital Receipts</td> <td>(1.84)</td> <td>(0.15)</td> <td>3.33</td> <td>0.00</td> <td>0.00</td> </tr> <tr> <td>CIL</td> <td>(15.56)</td> <td>(0.72)</td> <td>31.08</td> <td>0.00</td> <td>(0.24)</td> </tr> <tr> <td>S106</td> <td>(9.43)</td> <td>(1.03)</td> <td>8.08</td> <td>(2.38)</td> <td>(0.10)</td> </tr> <tr> <td></td> <td>(26.83)</td> <td>(1.90)</td> <td>42.49</td> <td>(2.38)</td> <td>(0.34)</td> </tr> </tbody> </table>	Resource	Balance B/Fwd. £M	Received to Date 2022/23 £M	Allocated to Current Programme £M	Available Funding £M	Anticipated Receipts 2022/23 £M	Capital Receipts	(1.84)	(0.15)	3.33	0.00	0.00	CIL	(15.56)	(0.72)	31.08	0.00	(0.24)	S106	(9.43)	(1.03)	8.08	(2.38)	(0.10)		(26.83)	(1.90)	42.49	(2.38)	(0.34)		
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39.	Table 4 shows that the largest resource is Community Infrastructure Levy (CIL) funding. There is currently more allocated to the programme than receipts to date, but this is based on prudent assumptions about future developments within the City and therefore CIL receipts.																																
40.	Capital receipts are currently being used to fund transformation projects which are being capitalised as per the Council's Flexible Use of Capital Receipts Strategy, which is include for approval as part of this report in appendix 4. Under the guidance, ' <i>expenditure on a project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners</i> ' may be funded by capital receipts.																																
41.	Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been small movement since the last reported position.																																
42.	<p>Table 5 – General Fund Capital Receipts Estimates</p> <table border="1"> <thead> <tr> <th>Forecast</th> <th>B/Fwd. £M</th> <th>2022/ 2023 £M</th> <th>2023/ 2024 £M</th> <th>2024/ 2025 £M</th> <th>2025/ 2026 £M</th> <th>2026/ 2027 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest</td> <td>(1.84)</td> <td>(0.15)</td> <td>(1.57)</td> <td>0.00</td> <td>0.00</td> <td>(0.35)</td> <td>(3.91)</td> </tr> <tr> <td>Previous</td> <td>(1.84)</td> <td>(1.95)</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>(3.79)</td> </tr> <tr> <td>0.00</td> <td>0.00</td> <td>1.80</td> <td>(1.57)</td> <td>0.00</td> <td>0.00</td> <td>(0.35)</td> <td>(0.12)</td> </tr> </tbody> </table>	Forecast	B/Fwd. £M	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	Total £M	Latest	(1.84)	(0.15)	(1.57)	0.00	0.00	(0.35)	(3.91)	Previous	(1.84)	(1.95)	0.00	0.00	0.00	0.00	(3.79)	0.00	0.00	1.80	(1.57)	0.00	0.00	(0.35)	(0.12)
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	OVERALL CAPITAL PROGRAMME																																
43.	Tables 6 and 7 below show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2027/28. Annex 4.2 provides details of each portfolios latest programme and the financing of that programme.																																

<u>Table 6 – Capital Expenditure by Programme</u>							
Programme	2022/ 2023 £M	2023/ 2024 £M	2024/ 2025 £M	2025/ 2026 £M	2026/ 2027 £M	2027/ 2028 £M	Total £M
Children & Learning	.	9.17	8.92	9.13	25.82	0.00	71.34
Communities & Customer Engagement	0.72	0.00	0.00	0.00	0.00	0.00	0.72
Economic Development	1.86	2.35	0.00	0.00	0.00	0.00	4.22
Finance & Change	7.58	9.33	1.02	3.45	0.00	0.00	21.37
Health, Adults & Leisure	2.39	4.22	15.00	9.00	1.01	0.00	31.62
Housing & the Green Environment	10.51	8.51	7.25	5.20	1.50	1.00	33.97
Leader	2.17	4.46	2.35	0.75	0.00	0.00	9.72
Safer City	0.66	0.00	0.00	0.00	0.00	0.00	0.66
Transport & District Regeneration	53.95	54.81	25.87	10.57	48.61	0.00	193.80
Total General Fund Programme	98.15	92.84	60.40	38.10	76.93	1.00	367.41
<u>Table 7 – Use of Resources</u>							
Capital Grants	(53.39)	(48.18)	(33.43)	(16.41)	(42.38)	0.00	(193.79)
Contributions	(18.93)	(9.40)	(9.20)	(8.06)	(1.25)	(1.00)	(47.84)
Revenue Financing	(0.07)	(2.00)	(1.00)	0.00	0.00	0.00	(3.07)
Capital Receipts	(1.20)	(1.80)	0.00	0.00	(0.33)	0.00	(3.33)
CR – Borrowing	(24.55)	(31.47)	(16.76)	(13.63)	(32.97)	0.00	(119.38)
Total	(98.15)	(92.84)	(60.40)	(38.10)	(76.93)	(1.00)	(367.41)
*CR – Council Resources				NB: Table includes rounded figures			
44.	Table 7 demonstrates that the most significant amount of funding for the General fund programme is provided by Grants, as noted above predominately relating to schools and transport/highways. Council Resources is the next main source of funding, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision, which is detailed within the revenue budget.						
45.	Every effort will be made to explore external funding opportunities to reduce the need for borrowing. On average every £1M borrowed will incur revenue financing charges (interest and MRP) of £0.08M. Should grants or contributions be made available to the Council in the future, these will be reported as part of the routine financial monitoring process.						
46.	As part of the revenue savings proposals there is a proposal to utilise £7.50M of CIL contributions to fund the programme and reduce the reliance on borrowing. Given rising interest rates it would not be prudent to use borrowing						

	<p>when there is CIL funding available to support enhancement of the infrastructure throughout the city. Ongoing inflationary pressures throughout the national economy have contributed increasing construction costs on several projects and this funding will allow projects proceed as planned. Projects to receive this funding include carriageways, footpaths, schools and heritage assets.</p> <p>Resources within the capital programme will continue to be used to support the four prime ambitions set out within the agreed Corporate Plan, namely:</p> <ul style="list-style-type: none"> • Strong foundations for life • A proud and resilient City • A prosperous City • A successful sustainable organisation
CAPITAL STRATEGY	
47.	<p>The Council needs to have a fit for purpose Capital Strategy to ensure that all the Council's priorities are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for 2023/24 and this is attached in appendix 2.</p>
48.	<p>The Prudential Code for Capital Finance in Local Authorities requires authorities to produce a capital strategy. The guidance outlines a number of key factors which they recommend be included in a capital strategy:</p> <ul style="list-style-type: none"> • The strategy should be formally approved by Council; • Clearly sets out the forthcoming capital expenditure of the Council; • There should be a clear link to the treasury management strategy, therefore including prudential indicators; • Focus on commercial activity and associated risks; • Long term impact and liabilities of decisions being undertaken; • Knowledge and skills of responsible officers.
49.	<p>Prudential Indicators are an indication that capital investment planning and the Authority's borrowing decisions are prudent and sustainable.</p> <p>HRA prudential indicators by statute are ring-fenced and are calculated separately.</p> <p>The prudential indicators have been set for the forthcoming period and comprise of three main components relating to: -</p> <ul style="list-style-type: none"> • Capital Expenditure – Estimates of Capital Expenditure and Capital Financing, Current and Estimated Movement in the Capital Financing Requirement i.e. the Authority's underlying need to borrow; • External Debt – Current and Estimated Movement in Gross Debt. Authorised limits for Borrowing set by the Authority and the Operational Boundary for Total External Debt (excluding investments) and separate identification for borrowing against debt and other long-term liabilities. Other indicators outline the estimated movement in borrowing requirement and loans over the forthcoming five-year period; and • Affordability – the Ratio of Financing Costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs.

50.	In setting the indicators, the Authority will also take into account Minimum Revenue Provision (MRP) to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. The Council's MRP policy is detailed in Annex 2.1 and requires approval as part of this report.
51.	<p>In preparing the capital strategy, the Authority will also take into account:</p> <ul style="list-style-type: none"> • The Council's Treasury Strategy, to be approved by Governance on 13th February 2023; • The Council's Investment Strategy which is detailed in Annex 2.2 and requires approval as part of this report.

Annexes	
4.1.	Variations to the General Fund Capital Programme Since Q3
4.2.	General Fund Capital Programme – Scheme Details