

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2023		
<b>DATE OF DECISION:</b>	20 FEBRUARY 2024		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE & CHANGE		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
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N/A
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<b>BRIEF SUMMARY</b>
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The report summarises the General Fund and Housing Revenue Account (HRA) capital programme for the period 2023/24 to 2027/28 financial position as at the end of December 2023 and informs Cabinet of any major changes since the last reported position.

The forecast overspend position for 2023/24 as outlined in this report is £1.52M, after accounting for £16.87M slippage. Work is still ongoing to review the capital programme to ensure that all projects meet the aim of being Purposeful Investment, as set out in the Medium Term Financial Strategy Update report to Council in July 2023.

<b>RECOMMENDATIONS:</b>
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	Cabinet is recommended to:
i)	Note the revised General Fund Capital Programme, which totals £235.70M as detailed in paragraph 3.
ii)	Note the HRA Capital Programme is £255.70M as detailed in paragraph 3.
iii)	Approve the virement of £0.11M in the Place programme in 2023/24, as detailed in paragraph 7 and Appendix 1.
iv)	Approve the addition and spend of £0.08M to the Place programme in 2023/24 and 2024/26, as detailed in paragraph 8 and Appendix 1.
v)	Approve slippage of £14.31M within the General Fund programme, as detailed in paragraphs 9 to 11 and Appendix 3.
vi)	Approve slippage of £2.56M within the HRA programme, as detailed in paragraphs 9 to 12 and Appendix 3.

vii)	Note that the overall forecast position for 2023/24 at quarter 3 is £128.45M, resulting in a potential overspend of £1.52M, as detailed in paragraphs 13 to 16 and Appendix 2.
viii)	Note that the capital programme remains fully funded up to 2027/28 based on the latest forecast of available resources although the forecast can be subject to change; most notably regarding the value and timing of anticipated capital receipts and the use of prudent assumptions of future government grants to be received. It is also important to note that in times of rising interest rates, inflationary pressures and future budget shortfalls the capital programme needs to be kept under review.

### REASONS FOR REPORT RECOMMENDATIONS

- To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- Not Applicable.

### DETAIL (including consultation carried out)

- Table 1 shows the changes to the individual directorate programmes. The updated programme for the General Fund is £235.70M and £255.70M for the HRA.

- Due to the current financial environment, there is an ongoing need to review the programme, against the backdrop of rising inflation which is significantly increasing construction costs and rising interest rates which has seen the cost of borrowing increase dramatically.

- Details of changes made since the last reported position, totalling a net increase of £1.08M can be found in Appendix 1. Net addition of £0.99M has been added to the programme by delegated decisions and £0.09M net addition requires approval, as detailed in paragraphs 7 and 8.

- Table 1 – Changes to Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Children & Learning	60.72	60.72	0.00
Corporate Services	4.15	4.15	0.00
Place	158.64	158.46	0.18
Strategy & Performance and CEO	3.59	2.69	0.90
Wellbeing & Housing	8.60	8.60	0.00
<b>Total GF Capital Programme</b>	<b>235.70</b>	<b>234.62</b>	<b>1.08</b>
Housing Revenue Account	255.70	255.70	0.00
<b>Total Capital Programme</b>	<b>491.40</b>	<b>490.32</b>	<b>1.08</b>

NB. there may be small arithmetic variations in the table as figures have been rounded

- Approval is sought for the virement of £0.11M within the Place programme from the Transforming Cities Fund project to the Travel to School project. The conditions of S106 monies will now be fulfilled as part of the Travel to School project, in conjunction with additional grant funding that has been applied for through the Active Travel Fund. The outcome of this application will be known in March 2024.

8.	Approval is sought for the addition and spend of £0.08M to the Place programme for Developer Highways Improvements, £0.01M in 2023/24 and £0.07M in 2024/25. This will be funded by S106 contributions.				
	<b>SLIPPAGE AND REPHASING</b>				
9.	Slippage occurs where works are not expected to take place according to the provisions agreed in the capital programme. Re-phasing of capital expenditure is due to works being carried out sooner than anticipated, budget and funding is brought forward from future years to match the expenditure.				
10.	Table 2 below summarises resulting net slippage and rephasing by individual capital programmes. There is zero net effect to the budgets over the 5-year capital programme. Approval is sought for the slippage of £16.87M from 2023/24 into later years, £14.31M relating to GF and £2.56M HRA.				
11.	Table 2 – Net Slippage	Movement in 2023/24 £M	Appendix 3 Ref		
	Children & Learning	(0.74)	1-3		
	Corporate Services	0.20	4		
	Place	(13.77)	5-8		
	Strategy & Performance and CEO	0.00	-		
	Wellbeing & Housing	0.00	-		
	<b>Total General Fund</b>	<b>(14.31)</b>			
	<b>Housing Revenue Account</b>	<b>(2.56)</b>	9-10		
	<b>Total Capital Programme</b>	<b>(16.87)</b>			
	NB. there may be small arithmetic variations in the table as figures have been rounded				
12.	<p>Details of schemes with major slippage and where any rephasing has been applied are provided in appendix 3.</p> <p>The most significant variation relates to the Transforming Cities Fund (TCF) programme, where £11.75M of works are slipping into 2024/25, as agreed with agreed with DfT, who have confirmed a funding extension. The key reasons for the extension of the programme into a 5th year is due to delays in delivering the Ring Road scheme, as there has not been enough network space until now, and the extended consultation for the Portswood schemes thereby delaying both the design and delivery of the schemes along this corridor.</p>				
	<b>2023/24 MONITORING POSITION</b>				
13.	The forecast performance of individual capital programmes in 2023/24 is summarised in table 3 below.				
14.	Table 3 – Summary of the General Fund & HRA Capital Forecast 2023/24	Revised Programme £M	Forecast £M	Forecast Variance £M	Forecast Variance %
	Children & Learning	9.83	9.63	(0.20)	(2.04)
	Corporate Services	2.78	2.26	(0.52)	(18.79)
	Place	67.32	67.38	(0.05)	0.08

Strategy & Performance and CEO	2.68	2.68	0.00	0.00
Wellbeing & Housing	3.79	3.75	(0.04)	(1.06)
<b>Total General Fund</b>	<b>86.40</b>	<b>85.69</b>	<b>(0.71)</b>	<b>(0.82)</b>
<b>Housing Revenue Account</b>	40.53	42.76	2.23	5.50
<b>Total Capital Programme</b>	<b>126.93</b>	<b>128.45</b>	<b>1.52</b>	<b>1.20</b>
Financed by				
*CR - GF Borrowing	(21.12)	(21.78)	0.66	3.14
*CR - HRA Borrowing	(15.26)	(14.69)	(0.56)	(3.68)
Capital Receipts	(4.63)	(4.63)	0.00	0.00
Contributions	(12.05)	(12.05)	0.00	0.03
Capital Grants	(50.77)	(49.40)	(1.38)	(2.71)
Direct Revenue Financing	(3.36)	(2.96)	(0.40)	(11.92)
HRA – MRA	(19.75)	(22.94)	3.19	16.16
<b>Total Funding</b>	<b>(126.93)</b>	<b>(128.45)</b>	<b>1.52</b>	<b>1.20</b>

\*CR – Council Resources

NB there may be small arithmetic variations in the table as figures have been rounded

15. The forecast spend for 2023/24 is £128.45M, giving a total forecast adverse variance of £1.52M. The reasons for the major forecast surplus/deficit variances are detailed in Appendix 2.

16. As shown in Table 4 below the actual spend to date is £60.86M, GF £39.94M and HRA £20.92M. This shows that there is significant works planned (£67.59M) for the last quarter of the year.

Capital expenditure is variable month to month, depending on the stage of the project (ie design, construction, retention) so the forecast will not necessarily have a straight-line comparison to the spend to date. However, based on previous years and the scale of works due in Q4, it appears likely there will be additional slippage at 31<sup>st</sup> March 2024.

Table 4 - Actual Spend to Date

	Spend to Date £M	Forecast £M	Forecast Spend in Next Quarter £M
Children & Learning	5.50	9.63	4.13
Corporate Services	1.20	2.26	1.06
Place	31.58	67.38	35.80
Strategy & Performance and CEO	0.00	2.68	2.68
Wellbeing & Housing	1.66	3.75	2.09
<b>Total General Fund</b>	<b>39.94</b>	<b>85.69</b>	<b>45.75</b>
<b>Housing Revenue Account</b>	20.92	42.76	21.84
<b>Total Capital Programme</b>	<b>60.86</b>	<b>128.45</b>	<b>67.59</b>

	<b>CAPITAL RESOURCES</b>
17.	The resources which can be used to fund the capital programme are as follows: <ul style="list-style-type: none"> <li>• Central Government Grants and from other bodies</li> <li>• Contributions from third parties</li> <li>• Council Resources - Capital Receipts from the sale of HRA assets</li> <li>• Council Resources - Capital Receipts from the sale of General Fund assets</li> <li>• Revenue Financing</li> <li>• Council Resources – Borrowing</li> </ul>
18.	Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes.
19.	It should be noted that the revised General Fund Capital programme is based on prudent assumptions of future government grants to be received. Most of these grants relate to funding for schools and transport and are un-ringfenced. However, in 2023/24 these grants have been passported to these areas.
20.	Appendix 4 details the current level of available resources. This shows that the largest resource currently un-earmarked is S106 developer contributions. This relates to receipts in the latter part of 2022/23 for which the works are still being scoped and will be added to the programme when budgets are developed.
	<b>OVERALL CAPITAL PROGRAMME AND FINANCING</b>
21.	The revised overall programme by year, including amendments that are being requested as part of this report and use of resources, can be found in Appendix 5.
22.	The most significant amount of funding for the General Fund programme is provided by capital grants. There has been a drive to reduce borrowing costs, due to increasing interest rates, to avoid an unbudgeted pressure on the GF revenue account. The HRA programme is primarily funded by Major Repairs Reserve (direct revenue contribution).
	<b>RESOURCE IMPLICATIONS</b>
	<b><u>Capital/Revenue</u></b>
23.	There is a revenue cost of providing the capital programme, through the interest cost of borrowing and the minimum revenue provision (MRP). MRP is the calculated annual charge to the revenue account to repay debt incurred in respect of capital expenditure financed by borrowing or other long term credit arrangements (such as PFI). It is charged over a period that is commensurate with the benefits of capital expenditure. The cost of the current capital programme is included in the Medium Term Financial Strategy and is monitored and reported as part of the revenue financial monitoring.
24.	A key indicator is the ratio of Capital Financing to the Net Revenue Budget of the council. Following the highly publicised over borrowing by some local authorities it is expected that CIPFA and central government will propose a strengthening of the prudential limits by including upper limits on the level of borrowing. The council has introduced a ceiling for the above indicator, prior to any change to the Prudential Code, and set the General Fund at a maximum of 11% of Net Revenue Budget. It also now needs to be in keeping with 'purposeful investment' i.e. does the investment reduce revenue expenditure/increase income? Does it offset a future financial pressure? Does it have a significant impact on the lives of residents?

25.	The capital implications are contained within the report.
<b><u>Property/Other</u></b>	
26.	There are no specific property implications arising from this report other than the schemes already referred to within the report.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
27.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the council.
<b><u>Other Legal Implications:</u></b>	
28.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
29.	<p>The council maintains a financial risk register which details the key financial risks that face the council at a given point in time and is reported as part of the Revenue Financial Monitoring report. It is from this register that the level of balances and reserves is determined, including a small reserve for capital funding. The main risks effecting the capital programme are:</p> <ul style="list-style-type: none"> <li>• Interest rates are underestimated, resulting in a higher cost of borrowing to fund the programme,</li> <li>• Slippage in capital receipts or grants are not secured, resulting in a funding gap,</li> <li>• Inflation, impacting on construction costs and availability of suppliers.</li> </ul>
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
30.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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### **SUPPORTING DOCUMENTATION**

#### **Appendices**

1.	GF & HRA Programme Changes Since Last Reported Position
2.	GF & HRA Major Forecast Variances as at December 2023
3.	GF & HRA Slippage & Rephasing as at December 2023
4.	GF Capital Resources Available as at December 2023
5.	GF & HRA Revised 5 Year Programme and Use of Resources

#### **Documents In Members' Rooms**

1.	None
2.	
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The Revenue Budget 2023/243, Medium Term Financial Strategy and Capital Programme (Council 22 February 2023)	
2.		