

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2024		
<b>DATE OF DECISION:</b>	27 AUGUST 2024		
<b>REPORT OF:</b>	COUNCILLOR LETTS DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND CORPORATE SERVICES		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

<b>BRIEF SUMMARY</b>
<p>The report summarises the General Fund and Housing Revenue Account (HRA) capital programme for the period 2024/25 to 2028/29 financial position as at the end of June 2024 and informs Cabinet of any major changes since the last reported position.</p> <p>The forecast underspend position for 2024/25 as outlined in this report is £1.01M, after accounting for £6.24M slippage.</p>

<b>RECOMMENDATIONS:</b>	
	Cabinet is recommended to:
i)	Note the revised General Fund Capital Programme, which totals £206.06M as detailed in paragraph 3.
ii)	Note the HRA Capital Programme is £240.53M as detailed in paragraph 3.
iii)	Approve slippage of £6.24M within the General Fund programme, as detailed in paragraphs 7 to 9 and Appendix 3.
iv)	Note that the overall forecast position for 2024/25 at quarter 1 is £170.82M, resulting in a potential underspend of £1.01M, as detailed in paragraphs 10 to 12 and Appendix 2.
v)	Note that the capital programme remains fully funded up to 2028/29 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.

**REASONS FOR REPORT RECOMMENDATIONS**

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

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. Not Applicable.

**DETAIL (including consultation carried out)**

3. Table 1 shows the changes to the individual directorate programmes. The updated programme for the General Fund is £206.06M and £240.53M for the HRA.
4. Due to the current financial environment, there is an ongoing need to review the programme. This is against the backdrop of rising construction costs and higher (albeit now falling) interest rates which has seen the cost of borrowing increase.
5. Details of changes made since the last reported position, totalling a net increase of £2.29M can be found in Appendix 1, all of which have been added to the programme by delegated and Cabinet decisions.

6. Table 1 – Changes to Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Children & Learning	57.16	57.14	0.02
Community Wellbeing	8.00	8.00	0.00
Enabling Services	14.65	14.65	0.00
Growth & Prosperity	76.77	74.56	2.21
Resident Services	41.36	41.29	0.07
Strategy & Performance	8.13	8.13	0.00
<b>Total GF Capital Programme</b>	<b>206.06</b>	<b>203.76</b>	<b>2.29</b>
Housing Revenue Account	240.53	240.53	0.00
<b>Total Capital Programme</b>	<b>446.59</b>	<b>444.30</b>	<b>2.29</b>

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

**SLIPPAGE AND REPHASING**

7. 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.  
Details of schemes with major slippage and where any rephasing has been applied are provided in appendix 3.
8. 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 £6.24M from 2024/25 into later years, all relating to GF.

9.	Table 2 – Net Slippage	Movement in 2024/25 £M	Appendix 3 Ref		
	Children & Learning	(0.98)	1-2		
	Community Wellbeing	0.00	-		
	Enabling Services	0.00	-		
	Growth & Prosperity	(3.41)	3-5		
	Resident Services	(1.85)	6		
	Strategy & Performance	0.00	-		
	<b>Total General Fund</b>	<b>(6.24)</b>			
	<b>Housing Revenue Account</b>	0.00	-		
	<b>Total Capital Programme</b>	<b>(6.24)</b>			
	NB. there may be small arithmetic variations in the table as figures have been rounded				
<b>2024/25 MONITORING POSITION</b>					
10	The forecast performance of individual capital programmes in 2024/25 is summarised in table 3 below.				
11	Table 3 – Summary of the General Fund & HRA Capital Forecast 2024/25				
		Revised Programme £M	Forecast £M	Forecast Variance £M	Forecast Variance %
	Children & Learning	19.41	19.36	(0.05)	(0.25)
	Community Wellbeing	4.10	4.10	0.00	0.00
	Enabling Services	4.65	3.97	(0.68)	(14.68)
	Growth & Prosperity	55.41	55.14	(0.27)	(0.49)
	Resident Services	18.91	18.91	0.00	0.00
	Strategy & Performance	8.13	8.13	0.00	0.00
	<b>Total General Fund</b>	<b>110.59</b>	<b>109.59</b>	<b>(1.01)</b>	<b>(0.91)</b>
	<b>Housing Revenue Account</b>	61.23	61.23	(0.00)	(0.00)
	<b>Total Capital Programme</b>	<b>171.82</b>	<b>170.82</b>	<b>(1.01)</b>	<b>(0.58)</b>
	Financed by				
	*CR - GF Borrowing	(17.24)	(16.29)	(0.96)	(5.54)
	*CR - HRA Borrowing	(30.05)	(30.05)	0.00	(0.00)
	Capital Receipts	(12.41)	(12.41)	0.00	0.00
	Contributions	(9.88)	(9.88)	0.00	0.00
	Capital Grants	(75.13)	(75.08)	(0.05)	(0.07)
	Direct Revenue Financing	(2.25)	(2.25)	0.00	0.00
	HRA – MRA	(24.86)	(24.86)	0.00	0.04
	<b>Total Funding</b>	<b>(171.82)</b>	<b>(170.82)</b>	<b>(1.01)</b>	<b>(0.58)</b>
	*CR – Council Resources NB there may be small arithmetic variations in the table as figures have been rounded				

12	The forecast spend for 2024/25 is £170.82M, giving a total favourable forecast variance of £1.01M. The reasons for the major forecast surplus/deficit variances are detailed in Appendix 2.
<b>CAPITAL RESOURCES</b>	
13	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>
14	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.
15	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 2024/25 these grants have been passported to these areas.
<b>OVERALL CAPITAL PROGRAMME AND FINANCING</b>	
16	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 4.
17	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>	
18	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 of provision to repay debt incurred in respect of capital expenditure financed by borrowing or other long term credit arrangements (such as PFI) over a period that is commensurate with that over which the capital expenditure provides benefits. The cost of the current capital programme is including in the Medium Term Financial Strategy and is monitored and reported as part of the revenue financial monitoring.
19	A key indicator is the ratio of Capital Financing to the Net Revenue Budget of the council. Following the highly publicised over borrowing of some local authorities it is expected that CIPFA and central government will propose a strengthening to 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 15% of Net Revenue Budget. It also needs to be in keeping with approach adopted of '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?

20	The capital implications are contained within the report.
<b><u>Property/Other</u></b>	
21	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>	
22	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>	
23	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
24	<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>	
25	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 June 2024
3.	GF & HRA Slippage & Rephasing as at June 2024
4.	GF & HRA Revised 5 Year Programme and Use of Resources

**Documents In Members' Rooms**

1.	None
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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 General Fund Capital Programme 2023/24 to 2028/29 (Council 6 March 2024)	
2.		