

CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO SEPTEMBER 2022

1. Table 1 shows the changes to the individual portfolio programmes. The updated programme for the General Fund is £353.13M and £267.12M for the HRA.
2. Due to the current financial environment, there has been a 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 more than double since the budgets were set in February 2022.
3. Details of changes made since the quarter 1, totalling a net decrease of £5.97M can be found in annex 2.1. £0.99M has been added to the programme under either by delegated decisions or previous Cabinet/Council papers and £6.96M net reduction requires approval, as detailed in paragraph 3 and 4.

Table 1 – Changes to Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Children & Learning	71.34	71.07	0.26
Communities & Customer Engagement	0.72	0.97	(0.25)
Economic Development	4.37	3.05	1.32
Finance & Change	19.90	27.01	(7.11)
Health, Adults & Leisure	18.35	18.85	(0.50)
Housing & the Green Environment	32.85	33.82	(0.97)
Leader	9.72	9.72	0.00
Safer City	0.66	0.16	0.50
Transport & District Regeneration	195.23	194.85	0.38
Total GF Capital Programme	353.13	359.50	(6.37)
Housing Revenue Account	267.12	266.72	0.40
Total Capital Programme	620.25	626.22	(5.97)

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

CHANGES TO THE PROGRAMME

Economic Development

4. Approval is sought for the addition and spend of £1.32M, £0.61M in 2022/23 and £0.71M in 2023/24 for Council Corporate Buildings. This will enable essential works to be undertaken to ensure and extend the life of our corporate assets. These works will be funded by council resources.

Communities & Customer Engagement

5. Approval is sought for the reduction of £0.25M in 2022/23, for the Extend Library Opening Hours project. Options for this will now be considered as part of a larger project around localities working. This was to be funded by council resources and therefore this will reduce the cost of borrowing.

	<u>Finance & Change</u>
6.	Approval is sought for the reduction of £4.11M in 2022/23, for the Corporate Assets Decarbonisation Scheme (CADS). At present there are no plans to spend this budget. Future budgets will be allocated as and when new schemes are developed and invest to save projects proposed. This was to be funded by council resources and therefore this will reduce the cost of borrowing.
7.	Approval is sought for the reduction of £2.50M in 2022/23, for the Civic centre Upgrade . This project was paused during covid-19 and the no new works are proposed to start. There remains adequate budget to undertake the works that are currently in progress. This was to be funded by council resources and therefore this will reduce the cost of borrowing.
8.	Approval is sought for the reduction of £0.50M in 2022/23, for the IT Equipment and Software Refresh. The phasing of the refresh programme has been extending allowing for a surplus to be declared. This was to be funded by capital receipts, which will now be available to spend on other projects.
	<u>Health, Adults & Leisure</u>
9.	Approval is sought for the reduction of £0.50M in 2022/23, for the Golf Course project. There are currently no plans to spend this budget. This was to be funded by council resources and therefore this will reduce the cost of borrowing.
	<u>Housing & the Green Environment</u>
10.	Approval is sought for the reduction of £0.30M in 2022/23, for the Green City Action Plan. There are currently no plans to spend this budget, as it was originally intended to support a bus project, for which the grant bid was unsuccessful. This was to be funded by council resources and therefore this will reduce the cost of borrowing.
11.	Approval is sought for the reduction of £1.00M, £0.25M in 2022/23 and £0.75M in 2023/24, for the Hoglands Park & Pavilion. There are currently no plans to spend this budget. It is hoped that a wider vision will be developed in the near future for the whole park and will incorporate this project. Funding will be allocated once there is a plan. This was to be funded by council resources and therefore this will reduce the cost of borrowing.
	<u>Safer City</u>
12.	Approval is sought for the addition and spend of £0.50M, in 2022/23, for Motorcycle Interventions. This will enable essential safety works to be undertaken, and measures introduced to reduce the impact motorcycles have on the Council's neighbourhoods and residents. These works will be funded by the Community Infrastructure Levy (CIL).
	<u>Transport & District Regeneration</u>
13.	Approval is sought for the addition and spend of £0.70M, in 2023/24, to the Itchen Bridge project. The additional budget will allow the project to deliver the essential structural repairs to the bridge and deliver additional safety measures for users of the bridge. These works will be funded by the Community Infrastructure Levy (CIL).
14.	Approval is sought for the virement of £0.50M, in 2023/24, from the Highways project to the Safer Streets project. This was always the anticipated use of the funding but when it was added to the budget in February 2022, it was allocated incorrectly. These works will be funded by the Community Infrastructure Levy (CIL).

15.	Approval is sought for the reduction of £0.07M in 2022/23, for the Public Transport - Zebra project. There are currently no plans to spend this budget, as it was originally intended to support a grant bid which was unsuccessful. This was to be funded by council resources and therefore this will reduce the cost of borrowing.																																							
16.	Approval is sought for the reduction of £0.25M in 2022/23, for Lordswood Close - Unadopted Road. There are currently no plans to spend this budget, as the project is no longer supported. This was to be funded by council resources and therefore this will reduce the cost of borrowing.																																							
SLIPPAGE AND REPHASING																																								
17.	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. Following a review to ensure that all projects are accurately profiled, and budgets are suitably aligned to anticipated works and spend, there is £14.95M of General Fund and £3.74M of HRA anticipated work in 2022/23 where work has slipped into later years. Details of schemes with major slippage and where any rephasing has been applied are provided in annex 2.3.																																							
18.	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.																																							
	<table border="1"> <thead> <tr> <th><u>Table 2 – Net Slippage</u></th> <th>Movement in 2022/23 £M</th> <th>Annex 2.3 Ref</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td>(9.84)</td> <td>1-7</td> </tr> <tr> <td>Communities & Customer Engagement</td> <td>0.00</td> <td>-</td> </tr> <tr> <td>Economic Development</td> <td>0.00</td> <td>-</td> </tr> <tr> <td>Finance & Change</td> <td>(0.15)</td> <td>-</td> </tr> <tr> <td>Health, Adults & Leisure</td> <td>(0.40)</td> <td>8</td> </tr> <tr> <td>Housing & the Green Environment</td> <td>(0.43)</td> <td>9</td> </tr> <tr> <td>Leader</td> <td>(2.09)</td> <td>10</td> </tr> <tr> <td>Safer City</td> <td>0.00</td> <td>-</td> </tr> <tr> <td>Transport & District Regeneration</td> <td>(2.05)</td> <td>11-12</td> </tr> <tr> <td>Total General Fund</td> <td>(14.95)</td> <td></td> </tr> <tr> <td>Housing Revenue Account</td> <td>(3.74)</td> <td>13-17</td> </tr> <tr> <td>Total Capital Programme</td> <td>(18.69)</td> <td></td> </tr> </tbody> </table> <p>NB. there may be small arithmetic variations in the table as figures have been rounded</p>	<u>Table 2 – Net Slippage</u>	Movement in 2022/23 £M	Annex 2.3 Ref	Children & Learning	(9.84)	1-7	Communities & Customer Engagement	0.00	-	Economic Development	0.00	-	Finance & Change	(0.15)	-	Health, Adults & Leisure	(0.40)	8	Housing & the Green Environment	(0.43)	9	Leader	(2.09)	10	Safer City	0.00	-	Transport & District Regeneration	(2.05)	11-12	Total General Fund	(14.95)		Housing Revenue Account	(3.74)	13-17	Total Capital Programme	(18.69)	
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20202/23 MONITORING POSITION																																								
19.	The forecast performance of individual capital programmes in 2022/23 is summarised in table 2 below.																																							

Table 2 – Summary of the General Fund & HRA Capital Forecast 2022/23

	Revised Programme £M	Forecast £M	Forecast Variance £M	Forecast Variance %
Children & Learning	21.29	21.21	(0.08)	(0.37)
Communities & Customer Engagement	0.72	0.72	0.00	0.00
Economic Development	2.92	2.92	0.00	0.00
Finance & Change	7.86	7.86	0.00	0.00
Health, Adults & Leisure	3.04	3.04	0.00	0.00
Housing & the Green Environment	14.53	12.41	(2.12)	(14.57)
Leader	3.55	3.55	0.00	0.00
Safer City	0.66	0.66	0.00	0.00
Transport & District Regeneration	67.63	68.49	(0.86)	1.27
Total General Fund	122.21	120.87	(1.34)	(1.09)
Housing Revenue Account	46.20	42.12	(4.08)	(8.83)
Total Capital Programme	168.41	162.99	(5.42)	(3.22)
<u>Financed by</u>				
*CR - GF Borrowing	(43.93)	(43.38)	(0.55)	-1.24
*CR - HRA Borrowing	(15.22)	(15.05)	(0.17)	-1.10
Capital Receipts	(3.61)	(3.61)	0.00	0.00
Contributions	(13.85)	(13.49)	(0.36)	-2.62
Capital Grants	(63.48)	(63.05)	(0.43)	-0.67
Direct Revenue Financing	(2.18)	(1.99)	(0.19)	-8.54
HRA – MRA	(26.14)	(22.42)	(3.74)	-14.29
Total Funding	168.41	162.99	(5.42)	-3.22

*CR – Council Resources

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20. The forecast spend for 2022/23 is £168.41M, giving a total forecast favourable variance of £5.42M. The reasons for the major forecast surplus/deficit variances are detailed in Annex 2.2.

CAPITAL RESOURCES

21. The resources which can be used to fund the capital programme are as follows:

- Central Government Grants and from other bodies
- Contributions from third parties
- Council Resources - Capital Receipts from the sale of HRA assets
- Council Resources - Capital Receipts from the sale of General Fund assets
- Revenue Financing

	<ul style="list-style-type: none"> • Council Resources – Borrowing
22.	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.
23.	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 2022/23 these grants have been passported to these areas.
24.	Annex 2.4 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 2021/22 for which the works are still being scoped and will be added to the programme during 2022/23. All S106 contributions come with specific conditions as to how the money must be spent.
OVERALL CAPITAL PROGRAMME AND FINANCING	
25.	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 Annex 2.5.
26.	The most significant amount of funding for the General Fund programme is provided by capital grants. Previously council resources, which at present, is mainly through borrowing. 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).
<u>SUPPORTING DOCUMENTATION</u>	
Annexes	
1.	GF & HRA Programme Changes Since Last Reported Position
2.	GF & HRA Major Forecast Variances as at September 2022
3.	GF & HRA Slippage & Rephasing as at September 2022
4.	GF Capital Resources Available as at September 2022
5.	GF & HRA Revised 5 Year Programme and Use of Resources.