

REPORT TITLE: GENERAL FUND OUTTURN 2022/23

13 SEPTEMBER 2023

REPORT OF CABINET MEMBER: Councillor Neil Cutler – Deputy Leader and Cabinet Member for Finance and Performance

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WARD(S): ALL

PURPOSE

This report provides an overview of the General Fund Revenue outturn and Capital Programme outturn for 2022/23.

The 2022/23 General Fund budget was approved by Council in February 2022 (CAB3335 refers) based upon a one-year spending review announcement and the expectation of greater levels of stability in income and expenditure following two turbulent, heavily Covid-impacted years. However, high inflation has had a significant impact on expenditure and despite being kept under close review through the quarterly performance monitoring, this created a significant budget pressure. Despite this inflationary expenditure pressure of just over £1m (detailed in 13.4 below), a surplus outturn of just under £1m resulted from a combination of offsetting service savings and an increase in retained funding from business rates and higher than expected net interest receivable.

The Council remains committed to delivering change and tackling the climate emergency, with £2m allocated to delivering the key priorities of the Council Plan in February 2023 (CAB3388 refers). However, significant funding uncertainty leading to projected future baseline deficits, means that substantial transformational change will be required over the next few years through the Council's 'TC25' transformation programme.

RECOMMENDATIONS:That Cabinet:

1. Note the General Fund Revenue Outturn and Capital Programme Outturn as set out in the report.
2. Approve the transfers to and from the Major Investment Reserve as detailed in Appendix 1 and note the reserves and closing balances at 31 March 2023 (as set out in Appendix 2);
3. Approve the revised 2023/24 capital programme as set out in appendix 5;
4. Note the revised 2023-2033 capital programme as set out in appendix 6.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 The budget approved in February 2022 (CAB3335 refers) directly supported the delivery of all outcomes set out in the Council Plan. This included revenue and capital funding for the carbon neutrality programme; funding to support the delivery of the Central Winchester Regeneration programme; funding for staff and schemes targeting economic recovery; additional funding to provide extra staffing to ensure high quality services were maintained (for example around the Pride in Place works); and budget to support the Health and Wellbeing Strategy and it's focus on partnership working.
- 1.2 The council plan outcome focussing on Homes for All is supported by the Housing Revenue Account Business Plan considered elsewhere on this agenda (CAB3417).

2 FINANCIAL IMPLICATIONS

- 2.1 As set out in the report.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities are required by law to have a balanced budget. However, what is meant by 'balanced' is not defined in law and Chief Finance Officers are to use their professional judgement to ensure that the local authority's budget is balanced, robust and sustainable.
- 3.2 The Local Government Act 1972 (Section 151) makes the Chief Financial Officer responsible for the proper administration of the Council's financial affairs. The responsibilities of the Chief Finance Officer, in particular in relation to section 114 notices, are set out primarily in section 151 of the Local Government Act 1972.
- 3.3 All Members and officers have a general responsibility which is a fiduciary duty to residents to take reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised and achieves value for money. In doing so proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.

4 WORKFORCE IMPLICATIONS

- 4.1 The council employed 445 permanent and fixed term staff at 31 March 2023, as reported to Audit and Governance in July (AG102). This is one of the most significant costs to the council and therefore as services change, the staffing requirements also change. This represents a net 14FTE increase during the year.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 The Asset Management Strategy (CAB3377 refers) highlights how the Council's non-housing property assets (the Estate) play a significant role in generating rental income and creating opportunity for social, economic, environmental, and cultural and regeneration interventions.

5.2 Overall property income for 2022/23 was £4.6m, including investment and non-investment properties. This is offset by expenditure of £3.2m, leaving a net surplus of £1.4m (excluding MRP and borrowing costs).

6 CONSULTATION AND COMMUNICATION

6.1 The 2022/23 budget was set in February 2022 (CAB3335) and this followed consultation with stakeholders, including with parish councils through the parish liaison meetings; with local businesses through discussions with the Chamber of Commerce / BID Business forum; and with the public through an on line survey.

6.2 Throughout the year, the financial monitoring reports have been to Scrutiny Committee quarterly.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The commitment to carbon neutrality and investment in the Carbon Neutrality Programme is maintained in full. The capital programme also included provision specifically aimed at reducing carbon emissions.

8 EQUALITY IMPACT ASSESSEMENT

8.1 The recommendations in this report do not amend budget proposals that have been subject to previous assessment. Officers have regard to the considerations as set out in the Equalities Act 2010 and whether an equality impact assessment will be required to be undertaken at the time of implementation on any specific recommendations for changes to future budgets.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

| Risk | Mitigation | Opportunities |
|------|------------|---------------|
|------|------------|---------------|

| Risk | Mitigation | Opportunities |
|--|--|---|
| <p><i>Financial</i> Budget deficit or unforeseen under or overspends.</p> <p>Financial pressure caused by high rates of inflation and increases in energy costs.</p> | <p>Regular monitoring of budgets and financial position including forecasting to year end to avoid unplanned over/underspends.</p> <p>Regular monitoring of macroeconomic situation and recommended establishment of an Exceptional Pressures reserve.</p> | <p>Early notification of unplanned under / overspends through regular monitoring allows time for plans to be put in place to bring the finances back into line with budget forecast.</p> |
| <p><i>Legal</i> Risk that external factors, such as high inflation, have an impact on budgets that is so severe that the Council cannot balance the budget and is at risk of needing to issue a s114 notice.</p> | <p>Enhanced monitoring of key at-risk areas (including parking and commercial rent income) and the establishment of an additional risk reserve to cover exceptional inflation pressures.</p> | |
| <p><i>Team capacity</i> Availability of staff to effectively monitor budgets and produce / report on outturn.</p> | <p>Resources to deliver projects are discussed at the project planning stage and agreed by the project board and monitored by the Programme and Capital Strategy Board. If, at critical budgeting times, resource shortages are identified, funding has been set aside in the budget to fund external support.</p> | <p>Opportunities present themselves for staff to get involved in projects outside their normal role enabling them to expand their knowledge and skills base as well as working with others.</p> |
| <p><i>Achievement of outcome</i> Risk that the balanced budget and stable finances required by the Your services, your voice Council Plan priority is not achieved or is not perceived to be open and transparent.</p> | <p>Through the quarterly monitoring reports, officers and members can monitor the ongoing financial position.</p> | |

11 SUPPORTING INFORMATION:

General Fund Revenue

- 11.1 The 2022/23 budget was set following a period of unprecedented uncertainty and the onset of increasing interest rates. Forecasting was expected to be difficult and a contingency was created by setting up an exceptional inflation reserve in order to mitigate some of the ongoing risks. As a result of the significant financial challenges faced by local authorities a number of councils found themselves in a position where forecast expenditure exceeded forecast funding and as a result were forced to issue S114 notices during the year.
- 11.2 Despite the challenges set out above, a high quality of service delivery has been maintained during the year. In addition, progress continues to be made in delivering key areas of work and the council's major projects. During the financial year 2022/23 significant work and achievements included:
- The successful procurement and appointment of Jigsaw Consortium as development partner to bring forward the Central Winchester Regeneration (CWR) project in the city centre.
 - As part of the Government's Levelling Up agenda, Winchester District bid for and was awarded almost £1.75m to spend on local investment through a combination of the Shared Prosperity Fund and The Rural England Prosperity Fund.
 - Delivery of enhanced pride in place works (including Transformation work at St Maurice's Covert and Kings Walk) and collaboration with partners to reduce ASB across the district.
 - Completion of the Carbon Roadmap work helping the council to move towards its net zero targets.
 - Publication of and consultation on the Regulation 18 Draft Local Plan.
 - As part of the council's commitment to support the City of Sanctuary movement, we welcomed and supported Ukrainian citizens to the district as well as supporting more than 200 hosts.
 - Welcomed the 1 millionth customer to the new Winchester Sport and Leisure Park facility which supports the council's priority to make health and wellbeing opportunities accessible for everyone.
- 11.3 Quarterly performance review and reporting ensured the close monitoring of these financial pressures which led to significantly increased in-year forecasts for contract, pay, and utility inflation. However, offsetting savings were also identified as part of this process; particularly resulting from higher than forecast income retained from Business Rates growth in the District; and higher than budgeted interest receivable due to the increase in interest rates and higher than forecast cash balances. This resulted in there being no need during 2022/23 to draw from the exceptional inflation reserve was required.

- 11.4 The final outturn position in Appendix 1 shows a reduction in the required use of reserves compared to February 2022 of just under £1m. Whilst regular updated forecasts have been reported throughout the year, the budget is not revised mid-year, so this report highlights all significant variations compared to the original budget (many of which have been reported previously).
- 11.5 Careful management of earmarked reserves has resulted in a very slight increase in overall balances at the end of 2022/23. However, significant commitments are in place against these balances and along with continued uncertainty around funding and interest rates, it is important to continue to manage reserves in a prudent manner.

12 Impact on the collection fund

- 12.1 The Council acts as billing authority for the Winchester district and is therefore responsible for the collection of business rates and council tax on behalf of Hampshire County Council, Police and Fire authorities, parish councils and Central Government.
- 12.2 **Council Tax** - In January, the Council forecast a collection rate of 99% based on previous experience of collection rates across the district. This was reflected in the outturn with a minor surplus variance of £24k.
- 12.3 **Business Rates** – The total collectable business rates for 2022/23 were over £60m and within the year, significant ongoing and new reliefs were announced by Government for implementation by billing authorities, often at short notice. As a result, attempts to forecast year end net income in February 2023 proved to be overly cautious. Final net income collected was £0.688m more than the original budget for the year.

13 Revenue Baseline Budget Variances

- 13.1 Total general fund baseline net service expenditure was originally budgeted at £16.2m for 2022/23. An outturn of £16.9m is in line with the updated forecasts reported during the year (final forecast of £17.1m in February 2023).
- 13.2 The most significant variances to the original budget are summarised in the table below, with further explanation in 13.3 and 13.4 below.

| <u>Income Variances</u> | Favourable / (Adverse) Variance £000 |
|-----------------------------|---|
| a) Planning Fees | (345) |
| b) Building Control | (168) |
| c) Land Charges | (115) |
| d) Recycling Income | 269 |
| e) P&R Bus Contract Funding | 165 |
| f) Guildhall | 91 |

| | Favourable / (Adverse) Variance £000 |
|---|---|
| <u>Income Variances</u> | |
| g) Garden Waste Income | 81 |
| h) Other Income | 306 |
| TOTAL INCOME VARIANCES | <u>284</u> |
| <u>Expenditure Variances</u> | |
| a) Pay Inflation | (508) |
| b) Environmental Services Contracts | (354) |
| c) Contract Inflation | (326) |
| d) Utility Inflation | (200) |
| e) Employees - Agency | (198) |
| f) NNDR – River Park Leisure Centre | 269 |
| g) Car Parking | 205 |
| h) IMT Joint Working | 118 |
| Other Expenditure e.g. P&R Bus Contract | 2 |
| TOTAL EXPENDITURE VARIANCES | <u>(992)</u> |
| TOTAL ADVERSE SERVICE VARIANCE | <u>(708)</u> |

13.3 The reasons for the “income” variances in the above table can be summarised as:

- Planning Fees – Income was budgeted at £1.1m for the year but only £0.75m was received in total (£1.3m was received in 21/22). The majority of this adverse variance relates to the timing of third-party major applications which account for a significant proportion of the total income received.
- Building Control – Income of £0.43m for 2022/23 compares to £0.48m in 2021/22 and reflects a recent downward trend in overall building control income. The 2023/24 income budget has been reduced but this will be kept under review to determine whether any further adjustments are required.
- Land Charges – income of £0.29m for 2022/23 compares to £0.35m in 2021/22. This is in line with the well reported decline in house sales and income will be kept under review in 2023/24 to determine whether any baseline income budget adjustments are required.
- Recycling Income – rates received for recycling materials has significantly increased over the last couple of years leading to additional income of £0.27m (2022/23 actual income of £0.66m vs budget of £0.39m). Whilst this is a highly volatile source of income, higher rates are expected into 2023/24. However, as reported to Cabinet in July (CAB3409 refers) the council, along with other Project Integra partners, is working with

Hampshire County Council, to develop a revised partnership agreement. This revised agreement may result in the loss of this existing income stream.

- Park and Ride bus grants passed over from HCC in 2022/23 amounted to £0.165m which was all additional, unbudgeted funding.
- Guildhall – Following its reopening as a room-only venue in 2022, income of £0.21m exceeded the budget of £0.125m by £0.091m. Income budgets in 2023/24 have been re-forecast based on higher income assumptions. The overall Guildhall net outturn cost of £0.439m was £0.081m lower than the budget of £0.520m.
- Garden Waste Income – a better than expected overall customer base caused by strong retention and sign ups led to additional income of £0.08m. It is expected that subscriber numbers have now reached peak numbers with regards to the initial roll out of the scheme.
- Other income variances – a build up of smaller variances relating to Licensing, Estates service income, and ringfenced government grants.

13.4 Explanations for the “expenditure” variances in the above table are provided below:

- a) Pay Inflation – as reported in the quarterly performance monitoring reports the 2022/23 pay award which averaged around 5.5% created an additional baseline cost of £0.5m compared to the budgeted increase of 2%.
- b) Environmental Services Contracts – as reported in the quarterly performance monitoring reports, and following on from 2021/22, additional contract spend of £0.35m in 2022/23 has been reflected in 2023/24 budgets.
- c) Contract Inflation – additional baseline contract spend of £0.33m resulted from a revised inflation average of 7% for 2022/23 compared to the budget assumption of 4%.
- d) Utility Inflation – additional utility costs of £0.2m for 2022/23 compared to in-year forecast of up to an additional £0.3m. This very significant spike in costs resulted from the turbulent energy market over the last 18 months.
- e) Employees Agency – higher than budgeted expenditure on agency staff in service areas such as Planning and Legal Services (where recruitment of staff has been difficult, resulting in vacancies in critical services which needed to be urgently filled with agency staff) led to an overall net Employee overspend of £0.2m.
- f) NNDR River Park Leisure Centre – a successful appeal to the Valuation Office for the now unused River Park Leisure Centre to be de-listed as a property on which Business Rates is payable, led to a refund of £0.114m against an expenditure budget of £0.155m, a total underspend of £0.269m.

g) Car Parking – a one-off reduction in forecast premises expenditure for 2022/23 resulted in an underspend of £0.2m for the year.

h) IMT Joint Working – lower than budgeted expenditure of £0.12m for the year. This was predominantly due to in-year vacancies.

13.5 An overall income surplus of £0.436m within 'Investment Activity' relates almost entirely to net interest receivable which was £0.4m higher than the budgeted net payable position. This is due to interest on cash and investment balances being significantly higher than originally forecast in February 2022, as well as higher than budgeted cash balances overall.

14 "One Off" Budgets

14.1 In addition to the baseline budget to fund core services, a number of "one off" provisions were approved and included in the 2022/23 budget to fund key projects across 2022/23 and 2023/24. The original one-off revenue budgets totalled £3.663m and this was revised to £8.465m during the year taking into account of budget brought forwards and in-year approvals. The final outturn of £3.413m was therefore £5.052m below revised budget. The key one-off revenue budgets are listed below:

| One-off Revenue Budgets 2022/23 (£m) | Original Budget | Revised Budget | Outturn | Budget Brought Forward to 23/24 |
|---|-----------------|----------------|--------------|---------------------------------|
| 1 Central Winchester Project | 0.050 | 1.524 | 0.797 | 0.640 |
| 2 Council Plan (funded by new homes bonus) | | | | |
| 2(a) - Local Council Tax Support Hardship Fund | 0.100 | 0.100 | 0.100 | |
| 2(b) - Essential maintenance to Monuments and Historic Assets | 0.450 | 0.450 | 0.052 | 0.398 |
| 2(c) - Bike Storage and other measures | 0.040 | 0.040 | 0.013 | 0.027 |
| 2(d) - Feasibility work on food waste collection | 0.150 | 0.150 | 0.024 | 0.126 |
| 2(e) - Low Carbon Transport | 0.250 | 0.250 | 0.000 | 0.250 |
| 2(f) - Additional city and market towns cleansing and maintenance | 0.185 | 0.185 | 0.090 | 0.095 |
| 2(g) - City of Sanctuary | 0.025 | 0.025 | 0.050 | 0.020 |
| 2(h) - IT Support to develop council systems for flexible/agile working | 0.100 | 0.100 | 0.057 | 0.043 |
| 3 Project Support | 0.600 | 1.000 | 0.271 | 0.729 |
| 4 Homelessness | 0.724 | 0.925 | 0.227 | 0.042 |
| 5 Transformation Programme | 0.500 | 0.500 | 0.000 | 0.500 |
| 6 Climate Emergency | 0.250 | 0.345 | 0.190 | 0.155 |
| 7 IT Investment | 0.000 | 0.300 | 0.113 | 0.187 |
| 8 Other smaller 'one-off' budgets | 0.239 | 2.571 | 1.619 | 1.722 |
| | 3.663 | 8.465 | 3.603 | 4.934 |

1) The 2022/23 outturn underspend reflects a re-profiling of the work programme with the spend now anticipated in 2023/24. The current 2023/24 budget is £1.040m including budgets brought forward from 2022/23.

- 2) £1.3m for delivery of the Council Plan (funded by new homes bonus). This was broken down into the following categories:
- a) Local Council Tax Support Hardship Fund – all distributed in 2022/23.
 - b) Essential maintenance to Monuments and Historic Assets – a programme of works has been agreed but due to the nature of these works and necessary procurement process the majority of works are now planned for 2023/24.
 - c) Bike Storage and other measures – works are under way and due for completion in 2023/24.
 - d) Low Carbon Transport and Feasibility work on a food waste collection – an update on the future of waste and recycling was taken to July Cabinet (CAB3409 refers) and provided an update of the current work plan. This budget is to support the overall project and therefore the majority of the budget has been carried over to 2023/24.
 - e) Additional city and market towns cleansing and maintenance etc – work is well underway with approximately half of the budget spent in 2022/23. The remaining budget has an overall spending plan in 2023/24.
 - f) City of Sanctuary – work commenced in 2022/23 but focussed primarily on support for Ukrainian guests and was funded through a dedicated budget passed down from HCC. Plans are in place for further work in 2023/24 to support wider City of Sanctuary activity through collaboration with external partners.
 - g) IT Support to develop council systems for flexible/agile working – this budget is supporting fixed term support which is planned to complete in 2023/24.
- 3) Additional project capacity to support other major projects – a total budget of £1m was approved in October 2021 (CAB3318 refers). The budgets supports revenue spend which is required to deliver major projects which will eventually be mainly capital in nature. The budget is therefore allocated and spent based on the timescales of these individual projects. A budget of £0.729m has been carried over to 2023/24 and there may be further re-profiling of the budget based on the timescales of the individual projects.
- 4) Flexible homelessness, funded from the new burdens reserve – an updated spending plan went to Cabinet in March 2023 (CAB3393(H)). The Homelessness earmarked reserve contains uncommitted balances which require future spending proposals.

- 5) Climate Emergency work – this budget supports ongoing climate emergency revenue projects. The underspend has been carried over to 2023/24.
- 6) Transformation programme – this budget has been allocated to the TC25 programme in order to have the resources available to complete the work needed to support projects which will deliver the future baseline savings needed to balance the medium term budget.
- 7) Additional IT investment to upgrade the Council’s IT desktop infrastructure to support “agile/flexible working” proposals (CAB3318 refers). Planned spend is well underway and due for completion in 2023/24.
- 8) Other “one off” budgets include the provision to support the preparation of the Local Plan, Winchester Movement Strategy, and other smaller projects.
- 14.2 Work on all of these provisions is continuing and it is anticipated that all budget will be fully committed in 2023/24. Budget profiles have been amended to reflect this and will require transfers from the Earmarked Reserves.
- 15 Outturn by Council Plan outcome
- 15.1 The Council Plan outcome summary outturn below shows the full general fund revenue outturn position for 2022/23. The adverse service variances identified in 13.2 above and essentially caused by higher than budgeted inflation, are more than balanced by higher funding and other activity.
- 15.2 The final net surplus of £0.952m has been transferred to earmarked reserves.
- 15.3 £0.75m of the surplus is to be transferred to the Local Plan reserve in order to fund the final part of the current and the following Local Plan. The Local Plan is a statutory instrument and therefore a critical priority for the council. The Local Plan has historically been funded primarily by earmarked reserves due to the significant year-on-year changes in spend requirements and therefore its replenishment is in line with the current reserves policy. Going forward, local plans will need to be refreshed every five years (which could reduce to every 30 months, pending the outcome of the Government’s NPPF consultation earlier in 2023) so it is essential to plan for the required budgets with immediate effect.
- 15.4 The remaining £0.202m of surplus is recommended to be transferred to the exceptional inflation pressures reserve. The exceptional inflation pressures reserve is considered to be a critical risk reserve given the considerable uncertainty around interest rates and inflation.

| General Fund Summary Council Plan 2022/23 Outturn (£000) | Original Budget | Actual | Variance (ADV) / FAV |
|---|----------------------------|---------------|-------------------------------------|
|---|----------------------------|---------------|-------------------------------------|

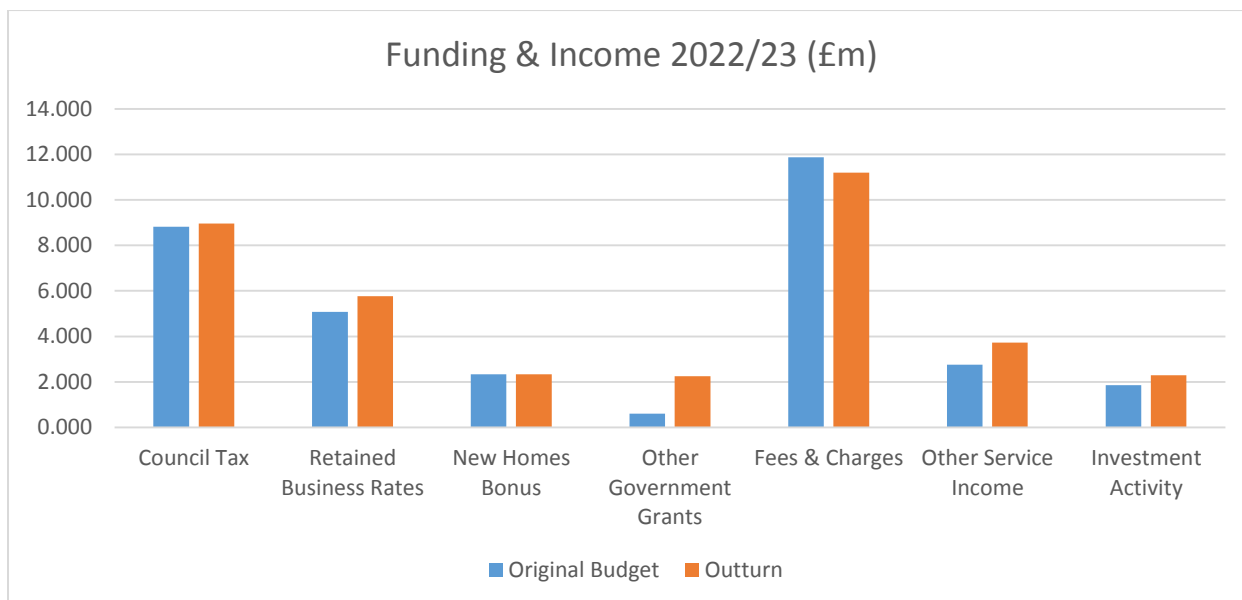
| | | | |
|--|-----------------|-----------------|----------------|
| Environment | 4,448 | 6,426 | (1,978) |
| Living Well | 5,023 | 3,877 | 1,147 |
| Homes for All | 2,560 | 2,167 | 393 |
| Vibrant Local Economy | 1,111 | 1,863 | (752) |
| Your Services, Your Voice | 3,892 | 2,651 | 1,241 |
| | 17,034 | 16,984 | 50 |
| Funding and other activity | (17,034) | (17,937) | 902 |
| | | (952) | 952 |
| Transfer to (from) Unrestricted Earmarked Reserves | 1,098 | 2,253 | (1,155) |
| Funding and other activity | (18,132) | (20,190) | 2,057 |
| | (17,034) | (17,937) | 902 |
| | | (952) | 952 |

15.5 Service outturn variance analysis:

- Environment - The adverse variance of £2m relates mainly to lower than budgeted car parking income. This lower than budgeted income was expected and was covered within a corporate covid contingency budget.
- Living Well – The net underspend of £1.1m relates to a now re-profiled leisure project support services budget and an underspend on the River Park Leisure Centre NNDR budget.
- Vibrant Local Economy – The adverse variance of £0.75m relates to additional one-off expenditure on Central Winchester Regeneration. This budget was approved but not part of the original budget for 2022/23.
- Your Services, Your Voice – The underspend of £1.2m relates mainly to the slippage of a one-off maintenance programme for historic monuments and the re-profiling of the corporate project support budget to 2023/24. Due to the nature of the works the refurbishment programme could not be rushed but is now moving forwards and budget is in place to support these works in 2023/24.
- Funding and other activity – The underspend of £0.9m relates to higher than budgeted interest receivable and higher than budgeted retained business rates.

16 Government financial support

- 16.1 In total, funding of £19.3m was £2.5m higher than the original budget of £16.8m. All of this funding is one-off in nature but there is a distinction between retained business rates which is available for general use and Other Government Grants, significantly new homes bonus, which is available for specific purposes such as Homelessness and Homes for Ukraine.



16.2 The Government distributed a number of specific support packages during the year. The city council has received/claimed during 2022/23:

| | <u>£000</u> |
|---|--------------|
| • Homes for Ukraine | 779 |
| • Preventing Homelessness | 348 |
| • Council Tax Discount for Family Annexes | 154 |
| • High Street Fund | 154 |
| • Council Tax Rebates | 102 |
| • Housing Benefits New Burdens Funding | 61 |
| • Council Tax Discount for family annexes | 52 |
| • Council Tax Rebate Scheme (Energy) Implementation | 51 |
| • New Burdens Post Pay Assurance | 50 |
| • Domestic Abuse Grant | 43 |
| • New Burdens License Checks Taxis & Scrap Metal | 40 |
| • Redmond Review Implementation | 23 |
| • Electoral Integrity | 21 |
| • Rough Sleeping Grant | 19 |
| • Defra Biodiversity | 10 |
| • Transparency | 8 |
| • Pavement Licensing | 4 |
| Total: | <u>1,919</u> |

17 Earmarked Reserves

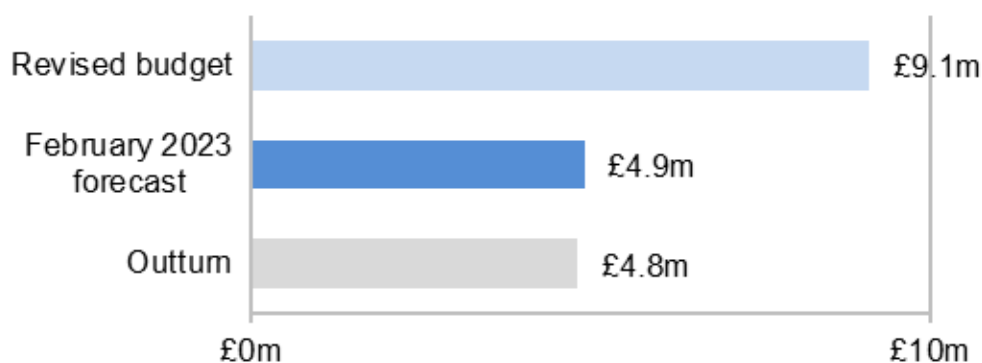
17.1 General Fund earmarked reserve balances have increased marginally from £38.0m at April 2022 to £38.2m at the end of March 2023.

17.2 Earmarked reserve balances are set out in appendix 2. The 'operational reserves' balance totals £10.6m at the end of 2022/23 and is forecast to reduce to just over £3m by the end of 2023/24 based on existing budgeted draws from reserves.

18 General Fund Capital

- 18.1 Total capital expenditure in year was £28.9m - of which £24.1m relates to the Housing Revenue Account (HRA). The detailed HRA outturn is reported separately to Cabinet (CAB3417).
- 18.2 General Fund capital expenditure amounted to £4.8m. Excluding the SAPS scheme (see below), this compares to an original budget of £10.2m, set in February 2022 (CAB3332) and a revised budget of £9.1m (including 'brought forwards' and other revisions) set in July 2022 (CAB3352). Following subsequent approvals and reprogramming, the forecast expenditure was amended to £4.9m in February 2023 (CAB3389). Further details by project are provided in Appendix 4.
- 18.3 In addition, a budget of £20.45m in respect of the Strategic Asset Purchase Scheme (SAPS) was allocated. When the scheme was approved by Council a SAPS Board was created which includes members and officers; the board receives recommendations of potential purchases and the s151 officer has delegated authority to make acquisitions up to £4m following discussions with the board, subject to due diligence, or recommend to Cabinet and Council to approve for acquisitions above £4m. During the financial year, the challenging economic conditions and uncertainty resulted in no suitable purchases being identified.

General Fund capital spend



19 Key items of expenditure

- 19.1 The following are some of the key items of expenditure in 2022/23:

- i. **Winchester Sport & Leisure Park** *Total Budget: £43.24m*
- Exp: Prior years £42.887m 2022/23 £0.325m Total £43.2m*

Work commenced on site in 2019 and, despite the significant challenges presented by Covid 19, the new park officially opened on 29th May 2021. Final contract closure negotiations were completed in 2022/23.

ii. **Disabled Facilities Grants** *22/23 Budget: £1.23m*

Exp: recurring *2022/23 £1.41m*

The Private Sector Housing (PSH) Team is responsible for the administration of Disabled Facilities Grants (DFGs). Such grants enable residents of private and / or social housing who are disabled or have a mobility or other limiting condition to apply for adaptations to be undertaken in their home. Such adaptations can include the installation of stair lifts, level access showers, kitchen adaptations or ramping etc. and enable residents to remain in their homes rather than having to move, go into hospital or residential care. In 2022/23 the PSH Team approved 111 DFG applications enabling families to be kept together. The original budget was based on the annual grant receivable from government. The actual spend exceeded this but was funded by unapplied DFG grant received in prior years.

iii. **Durngate flood alleviation scheme** *Total Budget: £1.6m*

Exp: Prior years £1.47m *2022/23 £0.05m* *Total £1.52m*

The Durngate scheme is the second phase of the North Winchester Flood Alleviation Scheme focusing on the area around the Durngate Bridge, the Trinity Centre and Durngate Terrace, and was jointly funded by the City Council and the Environment Agency. The completed scheme provides various flood defences along the River Itchen and supports the council to control and maximise the flow of water safely through the city, helping multiple residential and commercial properties throughout the city centre.

The flood defences have been operational since 2021/22 and expenditure in 2022/23 was for supplementary ecological works and repairs to a sluice. Once the final expenditure is confirmed any remaining budget funded by CIL can be released back for use on other projects.

iv. **King George V (KGV) Pavilion** *Total Budget: £3.3m*

Exp: Prior years £0.09m *2022/23 £0.7m* *Total £0.79m*

Work on the new pavilion is well underway and is expected to be complete by December 2023/January 2024. It replaces two out-dated, underused and inaccessible pavilions with a single larger, accessible, modern facility designed with sustainability and carbon saving measures. The new pavilion will benefit communities across the city and district and looks to support the development of 'grass roots' football, with a particular focus on women's, girls' and youth football.

v. **Barfield Phase 2 P&R car park** *Total Budget: £6.45m*

Exp: Prior years £6.4m *2022/23 £0.12m* *Total £6.52m*

The council was awarded a £5.65m grant from the Enterprise M3 Local Enterprise Partnership (LEP) toward creating additional Park & Ride spaces to the east of the city centre. The car park at the former Vaultex site at Barfield Close was completed in spring 2022 and provide just under 300 spaces to reduce traffic in the city – linking in with the aims of the City of Winchester Movement Strategy and supporting the city council’s pledge to become a carbon neutral council by 2024, with the whole district becoming carbon neutral by 2030. Photovoltaic panels and electric vehicle charging points also feature at the site as well as a green “living wall” which helps improve air quality and minimises the visual impact of the site. There was a small overspend of around £70,000 (1%) on the project which was financed by additional prudential borrowing.

vi. **CIL funded community projects** *22/23 Budget: £0.75m*

Exp: 2022/23 £0.53m

Several grants totalling £530,000 were paid over in 2022/23 as part of the ongoing CIL funded community projects programme. The scheme allows community groups to apply for a share of between £10,000 and £200,000 for essential infrastructure projects. Supported projects included extensions and refurbishments to two sports pavilions, works to community centres including kitchen refurbishments, an energy efficient lighting upgrade for a tennis club, as well as several other projects.

vii. **Open Spaces** *22/23 Budget: £474,000*

Exp: 2022/23 £358,000

Refurbishment works were scheduled to be completed at Abbey Gardens (£230,000) for a replacement play area, and at KGV park (£244,000) for a replacement play area and a new skate park.

Works were completed at Abbey Gardens with a small overspend of £8,000. The play area includes a new slide and replacement for the favourite amongst children, the train station. New paths have been laid to improve accessibility and access across the park. The play area has been designed with inclusive play in mind, so that a wide range of users can enjoy what the park has to offer.

The new skate park at KGV was opened in June 2022 and was dedicated to Winchester City Council’s Open Space Officer, Susan Lord, who worked closely on the project. Susan sadly passed away before the skatepark was opened. Work to the play area will be completed in 2023/24.

- 19.2 In addition to the projects detailed above, the following projects completed in 2022/23: City offices decarbonisation; phase 3 of essential repair works at the Weirs; a new toilet pod at North Walls; the installation of EV charging points at Cipher House; the provision of new fencing at North Walls; the purchase of new committee microphones for the Guildhall; and the installation of cycle

shelters at Middlebrook St and Colebrook St car parks. Works were also carried on several other schemes – detail of expenditure on all capital projects is provided at Appendix 4.

20 Reforecast of capital programme

- 20.1 The 2023/24 capital programme has been reforecast to include adjustments made for brought forward budgets from 2022/23 and other adjustments such as budget reductions following tender or reforecasting to the subsequent period.
- 20.2 With the exception of budgets funded by external grant or unfinanced (prudential borrowing), reduced budgets result in funding being released back to earmarked reserves or to the capital receipts reserve where it becomes available to fund future projects.
- 20.3 Full details of all changes to the 2023/24 capital programme are provided in Appendix 5 and the impact on the overall 10 year capital programme is provided at Appendix 6.

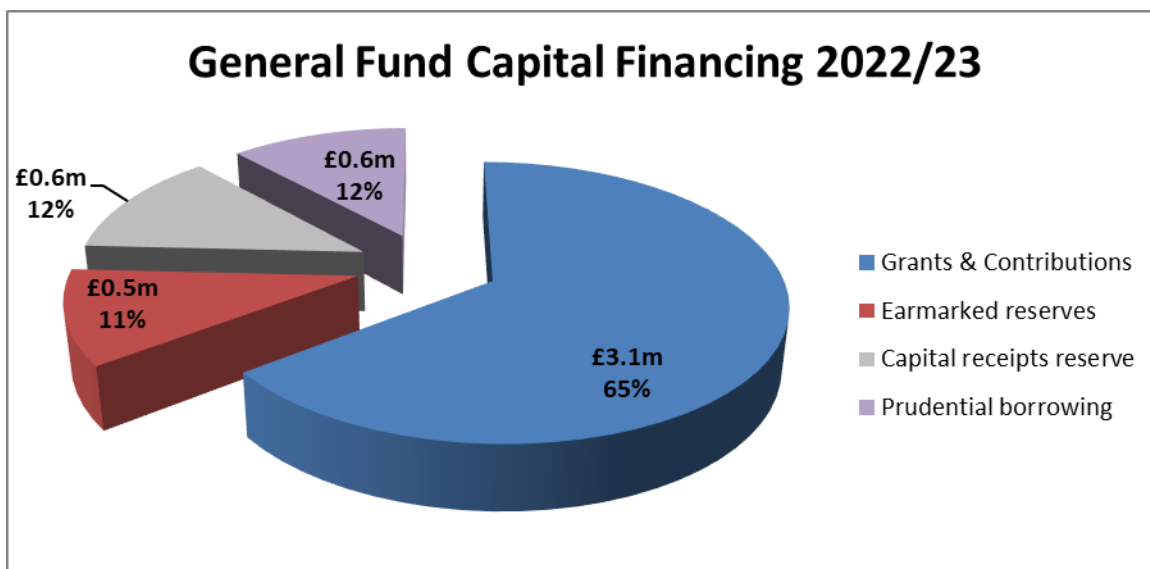
21 Flexible use of capital receipts

- 21.1 Ordinarily, capital resources such as capital receipts can only be used on capital expenditure (i.e. the creation or enhancement of a capital asset). However, the MHCLG Secretary of State issued a direction to local authorities in order to give them the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy, for the financial years 2016/17 to 2021/22. The government has recently extended this to 2024/25 but councils are no longer able to make use of the flexibility to fund discretionary redundancy costs following the extension. By using capital receipts, the council is able to avoid the negative impact of on its annual revenue budget of one-off costs but this will reduce the available resources for future capital projects.
- 21.2 In the Capital Investment Strategy approved in February 2021 (CAB3283), £194,000 of eligible capital receipts were set aside for this purpose which were applied to partially fund £266,000 in severance costs in 2020/21. This resulted in ongoing annual savings of circa £700,000 per annum. No further use of capital receipts has been made since then and the council currently has no specific plans to apply further capital receipts to transformation plans through its flexible use of capital receipts strategy (most recently approved in the Capital Investment Strategy in February 2023 (CAB3389)). However, the approved strategy allows it do so should there be qualifying spend in the future and if sufficient eligible capital receipts are available.

22 Capital financing

- 22.1 The sources of finance available for capital projects include capital receipts, grants and contributions, reserves, revenue contributions, and prudential

borrowing or “Capital Financing Requirement” (unfinanced capital expenditure met by future revenue provision). Under the Prudential Code, the council can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”. The financing of the 2022/23 General Fund capital expenditure is illustrated in the following graph. The single largest source of finance was capital grants and contributions including £1.4m in Disabled Facilities Grant funding and £1.5m of Community Infrastructure Levy (CIL) funding.



- 22.2 Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the council’s borrowing need known as “Capital Financing Requirement” (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. While the council has sufficient cash and investment balances, it is able to internally borrow but as CFR increases, and cash and investment balances decrease, it will need to increase its external borrowing in addition to the £161.7m the council has already borrowed to finance HRA projects including the HRA self-financing settlement. In the General Fund an annual charge called Minimum Revenue Provision (MRP) is required to finance prior year unfinanced expenditure; this reduces the CFR over the lives of the related assets. In 2022/23 additional provision for financing capital was made in the General Fund; this related to prior year works at Upper Brook Street car park which was disposed in year. The additional provision was funded by capital receipts from the disposal of the car park.

| Capital Financing Requirement | General Fund £000 | Housing Revenue Account £000 | Total £000 |
|---|------------------------------|---|-----------------------|
| Capital Financing Requirement at 1 April 2022 | 72,812 | 186,005 | 258,817 |
| Unfinanced capital expenditure - in year | 558 | 13,772 | 14,330 |
| Minimum revenue provision (MRP) | (1,517) | 0 | (1,517) |
| Voluntary provision for the financing of capital | (200) | 0 | (200) |
| Capital Financing Requirement at 31 March 2023 | 71,653 | 199,777 | 271,430 |
| Made up of: | | | |
| External borrowing | 0 | 161,722 | 161,722 |
| Internal borrowing | 71,653 | 38,055 | 109,708 |

23 Commercial activities: property

- 23.1 The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £71.0m as at 31 March 2023 (£69.3m as at 31 March 2022) and generated gross income of £3.65m and net income after costs, including minimum revenue provision, of £2.39m in 2022/23. This income helps contribute to the Council Plan outcomes. This represents an average net yield of 3.4%.
- 23.2 In 2022/23, the council transferred Quarry Park (formerly Bishop's Waltham Depot) from operational assets to its investment property portfolio following its letting to private commercial tenants.

Property held for investment purposes in £000s

| | |
|---|---------------|
| 1 April 2022 | 69,343 |
| Acquisitions | 0 |
| Enhancements | 22 |
| Disposals | (241) |
| Gains/(losses) in fair value | 667 |
| Transfer from PPE (operational assets)* | 1,242 |
| 31 March 2023 | 71,033 |

*An investment property is held for rental income and/or capital appreciation; when the continued purpose of holding the asset changes to meeting a service objective it is transferred to Property Plant & Equipment or vice versa

24 Proportion of financing costs to net revenue stream

- 24.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP, and any revenue funded reductions in the borrowing need are charged to the General Fund (GF) or Housing Revenue Account (HRA) income and expenditure statements as appropriate. The net annual charge is known as financing costs - this is compared to the net

revenue stream: Council Tax, Business Rates, and general government grants in the case of the GF; and rents and other charges in the case of the HRA.

- 24.2 The Council's General Fund capital programme includes a number of unfinanced projects (i.e. funded by prudential borrowing). MRP (equivalent to the repayment of loan principal) is applied annually and commences in the financial year following an asset becoming operational and increases the financing costs.
- 24.3 The General Fund financing costs as a proportion of net revenue stream are lower than forecast due to higher than forecast income from new burdens grant funding, and slightly higher council tax and retained business rate receipts. The HRA financing costs are lower than budgeted as the council had sufficient cash and investment balances to delay additional external borrowing thus reducing the interest cost against forecast.

Prudential Indicator: Proportion of financing costs to net revenue stream

| | 2021/22 actual | 2022/23 forecast | 2022/23 actual | 2023/24 budget |
|--------------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
| GF financing costs (£m) | 0.9 | 1.6 | 1.6 | 1.6 |
| GF proportion of net revenue stream | 5.0% | 9.1% | 8.2% | 8.4% |
| HRA financing costs (£m) | 5.4 | 6.0 | 5.4 | 6.8 |
| HRA proportion of net revenue stream | 18.0% | 19.9% | 17.4% | 21.1% |

25 OTHER OPTIONS CONSIDERED AND REJECTED

- 25.1 The potential to use the additional surplus for specific investment has been considered. However, in light of the specific emerging pressures such as planning for future local plan expenditure, this is not recommended at this stage.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3289 - General Fund Budget 2022/23 dated 17 February 2022

CAB3283 – Capital Investment Strategy 2022-2032 dated 17 February 2022

CAB3318 - General Fund Budget Options and Medium Term Financial Strategy dated 15 November 2022

CAB3335 - General Fund Budget 2023/24 dated 09 February 2023

Other Background Documents:-

None

APPENDICES:

Appendix 1 – General Fund Summary Outturn

Appendix 2 – General Fund Earmarked Reserves

Appendix 3 – Winchester Town Account Outturn

Appendix 4 – General Fund Capital Expenditure 2022/23 outturn

Appendix 5 – Revised 2023/24 General Fund Capital Programme

Appendix 6 – Revised 2023-2033 General Fund Capital Programme