

REPORT TITLE: GENERAL FUND OUTTURN 2023/24

11 SEPTEMBER 2024

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

Contact Officer: Liz Keys Tel No: 01962 848226 Email lkeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report provides an overview of the General Fund Revenue outturn and Capital Programme outturn for 2023/24.

The 2023/24 General Fund budget was approved by Council in February 2023 (CAB3444 refers) based upon a one-year spending review announcement. The budget was set based on a stable financial position with a forecast balanced budget now covering 2024/25 and 2025/26. Quarterly monitoring has kept the forecast 2023/24 outturn under close review. A final outturn favourable variance of just under £0.9m is reported, resulting from a number of service variances.

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 2024 (as set out in Appendix 2);
3. Approve the revised 2024/25 capital programme as set out in appendix 5; and
4. Note the revised 2024-2034 capital programme as set out in appendix 6.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 The budget approved in February 2023 (CAB3388 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; 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 its 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 (CAB3465).

### 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, including 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 446 permanent and fixed term staff at 31 March 2024, as reported to Audit and Governance in July (AG126). 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 1FTE 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 2023/24 was £4.8m, including investment and non-investment properties. This is offset by expenditure of £1.2m, leaving a net surplus of £3.6m (excluding MRP and borrowing costs).

## 6 CONSULTATION AND COMMUNICATION

- 6.1 The 2023/24 budget (CAB3388) and Capital Investment Strategy 2023-33 (CAB3389) were set in February 2023 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 PUBLIC SECTOR EQUALITY DUTY

- 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

- 10.1 The new government are likely to make a number of changes to funding and scope of local government over the coming years but as yet, we have no certainty about the impact that will have on the council. Modelling of sensitivities and scenarios is kept under review and as information becomes available forecasts will be updated.

Risk	Mitigation	Opportunities
<p><i>Financial</i> Budget deficit or unforeseen under or overspends.</p> <p>Financial pressure caused by influences outside the control of the council such as high rates of inflation, high borrowing costs, and uncertainty around local government funding settlements.</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 Inflation 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 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.

11.2 The Local Government Association undertook a Corporate Peer Challenge in July 2024 which included financial planning and management. The review specifically noted:

“The council has a well-deserved and warranted reputation for prudent financial management”

“The quality of financial reporting appears strong”

“a well-controlled financial environment is in place”

“The TC25 programme is well-embedded with staff and communicated with members”

The post-review action plan also includes some work on increasing financial literacy in service managers and continuing to make the organisation ready for the transformational change of TC25.

11.3 Additional income identified in section 13 below was one-off and, whilst this was a good outcome for the council during 2023/24, the below-budget income levels from some key services shows the difficulty in forecasting income. The majority of the variances with an ongoing, baseline impact (such as NNDR savings on River Park Leisure Centre) were identified as part of the 2024/25 budget process and are therefore already reflected within baseline budget forecasts from 2024/25. The income variances do not change the scope of or need for further savings through the Transformation Challenge 2025 (TC25) programme. The TC25 programme of savings was progressed through 2024/25 and further budget savings will be identified in the November MTFS paper to Cabinet.

11.4 The final outturn position in Appendix 1 shows an increased transfer to reserves, compared to February 2022, of just under £0.9m. 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 an increase in overall balances at the end of 2023/24. 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 £144k.
- 12.3 **Business Rates** – The total collectable business rates for 2023/24 were over £60m within the year including significant ongoing and new reliefs. With 2017 listing appeals now completed there has been a significant reduction in the provision held to cover successful appeals. This has resulted in additional retained business rates of £1.4m in 2023/24, which is held in unusable reserves for distribution over 2024/25 and 2025/26.

## 13 Revenue Baseline Budget Variances

- 13.1 Total general fund baseline net service expenditure was originally budgeted at £18.3m for 2023/24. A final outturn of £16.9m is £1.4m below budget.
- 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.

	Favourable / (Adverse) Variance £000
<u>Income Variances</u>	
a) Planning Fees	(360)
b) Land Charges	(195)
c) Building Control	(129)
d) NET Benefits	193
e) Recycling Income	165
f) Private Sector Housing	97
g) Garden Waste Income	95
h) Licensing Act 2003	90
i) Corporate Covid Income	45
j) Winchester Sport & Leisure Park	55
k) Other	83
<b>TOTAL INCOME VARIANCE</b>	<b>139</b>
<u>Expenditure Variances</u>	
a) Employees	345
b) RPLC Site & Coitbury House NNDR	260
c) Utilities - Office Accommodation	129

d) Office Accommodation	126
e) P&R Bus Contract	108
f) Support Services to Inv. Properties	121
g) Telephones	88
h) Communications	72
i) Increased Audit Fees	(68)
j) Other	58
<b>TOTAL EXPENDITURE VARIANCE</b>	<b><u>1,239</u></b>
<b>TOTAL FAVOURABLE SERVICE VARIANCE</b>	<b><u>1,378</u></b>

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

- a) Planning Fees – Income was budgeted at £1.1m for the year but only £0.76m was received in total. The baseline budget from 2024/25 has been updated to reflect lower volumes but also the government set increase in planning charges.
- b) Building Control – Income of £0.35m for 2023/24 compared to £0.52m budget and reflects a recent downward trend in overall building control income and volumes. The baseline budget from 2024/25 has been updated to reflect lower volumes and also an increase in fees.
- c) Land Charges – income of £0.25m for 2023/24 compared to £0.44m budget. This is in line with the well reported decline in house sales and the baseline budget from 2024/25 has been reduced to £0.34m.
- d) Benefit payments are distributed by the Council and recovered from government at recovery rates that deviate slightly from 100%. In 2023/24 government funding of £18.646m netted against expenditure of £18.328m, leaving an excess of £0.318m (£0.19m higher than budget).
- e) Recycling Income – rates received for recycling materials has significantly increased over the last couple of years leading to additional income of £0.17m (2023/24 actual income of £0.56m vs budget of £0.39m). Whilst this is a highly volatile source of income, higher rates are expected into 2024/25.
- f) Private sector housing – higher than forecast DFG payments in 2023/24 resulted in a higher than forecast recovery of administrative costs (£0.1m higher than budgeted).
- g) Garden Waste Income – a better than expected overall customer base caused by strong retention and sign ups led to additional income of £0.1m.
- h) Licensing Act 2003 – premises licensing income achieved is running significantly higher than budgeted (£0.09m higher than budget in 2023/24) and will be reviewed as part of the 2025/26 budget process.
- i) Corporate Covid Income – represents delayed Covid income now passed over from HCC.

- j) Winchester Sport & Leisure Park – higher than budgeted operator payment (£0.055m above budget) including a slightly lower than budgeted contractual reduction relating to the 2023/24 energy benchmarking exercise.
- k) Other income variances – a build up of smaller variances relating to additional costs recovered, and higher income in areas such as elections and IT.

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

- a) Employees – net vacancy savings and a slightly lower than budgeted inflationary increase for the year led to lower than budgeted expenditure of £0.35m (total savings of £0.69m including vacancy management target savings achieved).
- b) River Park Leisure Centre Site and Coitbury House NNDR refunds – successful appeals led to refunds of £0.26m during the year.
- c) Office Accommodation Utilities – budgets had become overinflated by forecast price increases. Lower than budgeted costs by £0.13m have been included in the baseline budget from 2024/25.
- d) P&R Bus Contract – savings of £0.11m related to supplier requested timetable reductions during the year.
- e) Support Services recharges to Investment Properties – higher than budgeted support service recharges to investment properties (reported in a separate section of the table) leading to savings of £0.12m within net service expenditure.
- f) Telephones – savings on data lines and telephones totalling £0.09m for the year.
- g) Communications – implementation of no external designer policy led to budget savings of £0.07m for the year.
- h) Increased Audit Fees – unavoidable audit fee increases relating to the audit framework and impacting on local authorities generally.
- i) Other minor savings across numerous service areas across the general fund.

13.5 An overall income surplus of £0.7m within ‘Investment Activity’ relates to:

- a) Additional net interest receivable of £0.3m caused by higher than expected S106 balances. This additional interest has been transferred to reserves to be used on the respective S106 projects.



- b) Additional investment property income of £0.4m caused by unused contingency budgets in 2023/24. Baseline budgets from 2024/25 have been updated to reflect latest forecasts.

## 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 2023/24 budget to fund key projects across 2023/24 and 2024/25. The original one-off revenue budgets totalled £2.150m and this was revised to £6.997m during the year taking into account of budget brought forwards and in-year approvals. The final outturn of £3.987m was therefore £3.010m below revised budget. There were also a number of additional grants received in-year which increased the budget available to carry forward. The key one-off revenue budgets are listed below:

General Fund One-off Expenditure Budgets	Original	Revised	Outturn	(Additional	Budget
	Budget	Budget		Funding) /	
	£000	£000	£000	Budget not	Forward
	✓	✓	✓	C/F	to 24/25
	£000	£000	£000	£000	£000
1 Central Winchester Project	400	1,240	577		663
2 Project Delivery cc1905		603	258		345
3 Transformation Programme		500	54		446
4 Car Parks	310	483	104	194	185
5 Historic Buildings / Monuments		437			437
6 Climate Emergency	250	441	38		403
7 Homes for Ukraine		383	419	(1,015)	980
8 Climate Emergency / Transport		250	89		161
9 Other smaller 'one-off' projects	1,190	2,660	2,448	(1,161)	1,373
	<b>2,150</b>	<b>6,997</b>	<b>3,987</b>	<b>(1,982)</b>	<b>4,992</b>

- 1) 2023/24 outturn underspend reflects a re-profiling of the work programme with the spend now anticipated in 2024/25.
- 2) Additional project capacity to support other major projects – a total budget of £1m was approved in October 2021 (CAB3318 refers). The budget 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 £0.258m has been carried over to 2024/25 and there may be further re-profiling of the budget based on the timescales of the individual projects.
- 3) 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.

- 4) The car parks maintenance programme reflects an annual paper taken to Cabinet (CAB3440 refers). A release of budget totalling £194k will remain available within reserves towards future maintenance plans.
  - 5) Historic Buildings / Monuments budget has been brought forward to 2024/25 to reflect latest spend forecasts.
  - 6) Climate Emergency work – this budget supports ongoing climate emergency revenue projects. The underspend has been carried over to 2024/25.
  - 7) Homes for Ukraine – significant additional in-year government funding of over £1m has led to a total budget carry over of £0.98m to 2024/25.
  - 8) Climate Emergency work – this budget supports ongoing climate emergency revenue projects. The underspend has been carried over to 2024/25.
  - 9) Other “one off” budgets include the provision to support the preparation of the Local Plan, Winchester Movement Strategy, and other smaller projects. Significant in-year additional new burdens funding was received, in particular in relation to Homelessness, which was been carried over to 2024/25.
- 14.2 Work on all of these provisions is continuing and it is anticipated that all budgets will be fully committed in 2024/25. 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 2023/24.
- 15.2 The final net surplus of £0.896m has been transferred to earmarked reserves. The full budget variance analysis is shown in section 13 above and variances in the table below show variations to original budget which may for example be additional expenditure which is fully funded by government grants.

<b>General Fund Summary Council Plan 2023/24 Outturn (£000)</b>	<b>Original Budget</b>	<b>Actual</b>	<b>Variance ADV / (FAV)</b>
Environment	6,315	6,437	122
Living Well	3,917	3,721	(196)
Homes for All	2,186	2,401	215
Vibrant Local Economy	1,306	1,530	224
Your Services, Your Voice	6,556	6,305	(251)
<b>TOTAL</b>	<b>20,281</b>	<b>20,395</b>	<b>114</b>
<b>FUNDING AND OTHER ACTIVITY</b>	<b>(21,887)</b>	<b>(25,384)</b>	<b>(3,497)</b>
<b>TRANSFER TO (FROM) EARMARKED RESERVES</b>	<b>1,606</b>	<b>4,093</b>	<b>(2,487)</b>
<b>SURPLUS TRANSFERRED TO TRANSITIONAL RESERVE</b>		<b>(896)</b>	<b>(896)</b>

15.3 The causes of the variances above are explained as:

- a) Funding and Other Activity outturn was £3.5m higher than originally budgeted for. This was through additional government funding and retained business rates. The additional government funding related to £2.2m of new burdens funding received during the year related to Homes for Ukraine and Preventing Homelessness. The retained business rates £1.4m favourable outturn was primarily through the release of 2017 provision for business rates appeals no longer required.
- b) Environment – additional expenditure relates to expenditure on the future of waste project where budget was brought forward from 2022/23.
- c) Living Well – lower than budgeted expenditure relates to a River Park Leisure Centre NNDR saving explained in 13.4 (b) above.
- d) Homes for all – additional expenditure on Homes for Ukraine which was fully funded by government grant.
- e) Vibrant Local Economy - additional expenditure relates to expenditure on the Central Winchester Regeneration project where budget was brought forward from 2022/23.

- f) Your Services, Your Voice – an overall underspend relates mainly to the re-profiling of one-off expenditure budgets, such as the transformation programme.

## 16 Government financial support

16.1 In total, funding of £22.9m was £3.7m higher than the original budget of £19.2m. 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 2023/24:

	<u>£000</u>
a) Homes for Ukraine	1,398
b) Preventing Homelessness	597
c) Rough Sleeping Grant	63
d) Housing Benefits New Burdens Funding	58
e) Defra Biodiversity Grant	54
f) Electoral Integrity Grant	51
g) EBSS AF ADP Admin	40
h) Asylum Dispersal Grant	38
i) Domestic Abuse Grant	36
j) Transparency Grant	24
k) Pavement Licensing Grant	4
l) Tenant Satisfaction Measures Grant	2
m) Affordable Housing New Investment	2
<b>Total:</b>	<b>2,365</b>

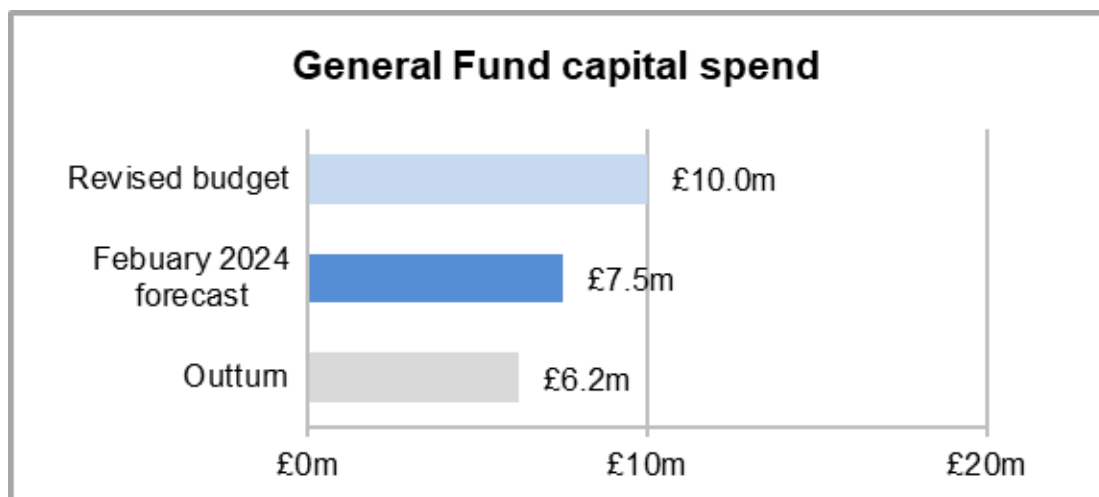
## 17 Earmarked Reserves

17.1 General Fund earmarked reserve balances have increased from £38.2m at April 2023 to £41.3m at the end of March 2024. This increase was mainly caused by additional government funding relating to Homes for Ukraine and Homelessness which has been transferred to earmarked reserves for spend in 2024/25.

17.2 Earmarked reserve balances are set out in appendix 2. The 'operational reserves' balance totals £11.5m at the end of 2023/24 and is forecast to reduce to just under £8m by the end of 2024/25 based on existing budgeted draws from reserves. This balance also includes reserves set aside for Homelessness and Future of Waste where budget spending plans will come forward in due course.

## 18 General Fund Capital

- 18.1 Total capital expenditure in year was £42.4m - of which £36.2m relates to the Housing Revenue Account (HRA). The detailed HRA outturn is reported separately to Cabinet (CAB3465).
- 18.2 General Fund capital expenditure amounted to £6.2m. Excluding the SAPS scheme (see below), this compares to an original budget of £12.4m, set in February 2023 (CAB3389) and a revised budget of £10.0m (including 'brought forwards' and other revisions) set in September 2023 (CAB3416). Following subsequent approvals and reprogramming, the forecast expenditure was amended to £7.5m as reported in February 2024 (CAB3443). Further details by project are provided in Appendix 4.
- 18.3 In addition, a budget of £4m 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 no suitable purchases were identified.



## 19 Key items of expenditure

- 19.1 The following are some of the key items of expenditure in 2023/24:

i. **King George V (KGV) Pavilion**

*Total Budget: £3.3m*

*Exp: Prior years £0.79m*

*2023/24 £2.3m*

*Total £3.09m*

Work on the new pavilion was completed in spring 2024 and has been available to users since June. It is now in the final account stage. 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.

ii. **Disabled Facilities Grants** *23/24 Budget: £1.23m*

*Exp: recurring* *2023/24 £1.6m*

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 2023/24 the PSH Team approved 80 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 £107,000 additional grant received and unapplied DFG grant received in prior years of which £0.7m is now remaining. Spending has been higher as an additional DFG case officer has been employed which has allowed more cases to be processed as well as a small number of individual cases which involved significant expenditure.

iii. **Friarsgate – demolition and overage** *Total Budget: £0.57m*

*Exp: Prior years £0.032m* *2023/24 £0.473m* *Total £0.505m*

The demolition of the former Friarsgate Medical Centre was completed in 2023/24 in preparation for the interim open space and the wider Central Winchester Regeneration scheme. The total cost of the demolition came in around £25,000 (10%) lower than budget. As a consequence of the demolition, an overage payment to the former owner was triggered at a cost of £281,000 which was £39,000 lower than budget.

These works are funded by prudential borrowing and so the capital saving will result in lower ongoing borrowing costs.

iv. **Friarsgate – interim open space** *Total Budget: £0.441m*

*Exp: Prior years £0.078m* *2023/24 £0.035m* *Total £0.113m*

Following the demolition of the former medical centre, work commenced in late 2023/24 on the interim open space, Friarsgate Park, which will serve as a meanwhile use while plans are drawn up for the wider Central Winchester

Regeneration scheme in the longer term. The park includes benches and planters, as well as a small bridge and beds of wildflowers. The park has been completed in the first half of 2024/25.

- v. **King's Walk improvements** *Total Budget: £0.385m*  
*Exp: Prior years £0.069m*      *2023/24 £0.306m*      *Total £0.375m*

Works to King's Walk to provide improvements to the ground floor & public realm were completed just under budget. These works included external greening, lighting, and internal alterations to create a refreshed image and to enhance connectivity and visibility between Kings Walk and the High Street.

- vi. **CIL funded community projects** *23/24 Budget: £0.85m*  
*Exp:* *2023/24 £0.23m*

Several grants totalling £234,000 were paid over in 2023/24 as part of the ongoing CIL funded community projects programme. As these are external projects, often relying on other funding sources, the exact timing is uncertain and subject to delay. The scheme allows community groups to apply for a share of between £10,000 and £200,000 for essential infrastructure projects. Supported projects included the refurbishment of a community centre, a new insulated roof for Reading Rooms, and the provision of several recreational facilities – a cycle pump track, and outdoor gym, a new skatepark, and an outdoor play facility.

- vii. **UKSPF & REPF** *23/24 Budget: £0.25m*  
*Exp:* *2023/24 £0.16m*

The UK Shared Prosperity Fund (UKSPF) is the UK's replacement of the EU European Structural and Investment Programme and provides local authorities funding for communities, places, businesses, people and skills. Funding is provided for both revenue and capital purposes. In 2023/24, £12,000 was provided for the capital purchase of lighting for the Glowing Galaxies event held in February 2024 after the success of the Enchanted Light Garden Event in 2023.

The Rural England Prosperity Fund (REPF) is a top up to UKSPF and is the replacement for the EU funded LEADER Programme used to support the development of rural economies. Capital grants are awarded to small businesses, voluntary organisations, charities, and community groups. In 2023/24 a total of £144,000 in capital grants were paid to help with the installation of solar PV and heat pumps, a new Scouts barn, and the purchase of a coffee roaster machine and a staging and sound system.

- 19.2 In addition to the projects detailed above, the following projects completed in 2023/24: North Walls play area; RPLC decommissioning; St Giles Hill

stabilising works (Matley's yard); the purchase of new AV equipment for the Guildhall; and capital grants to the Theatre Royal and to Bishop's Waltham Parish Council for a footpath and cycle link. 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 2024/25 capital programme has been reforecast to include adjustments made for brought forward budgets from 2023/24 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 2024/25 capital programme are provided in Appendix 5 and the impact on the overall 10 year capital programme is provided at Appendix 6.

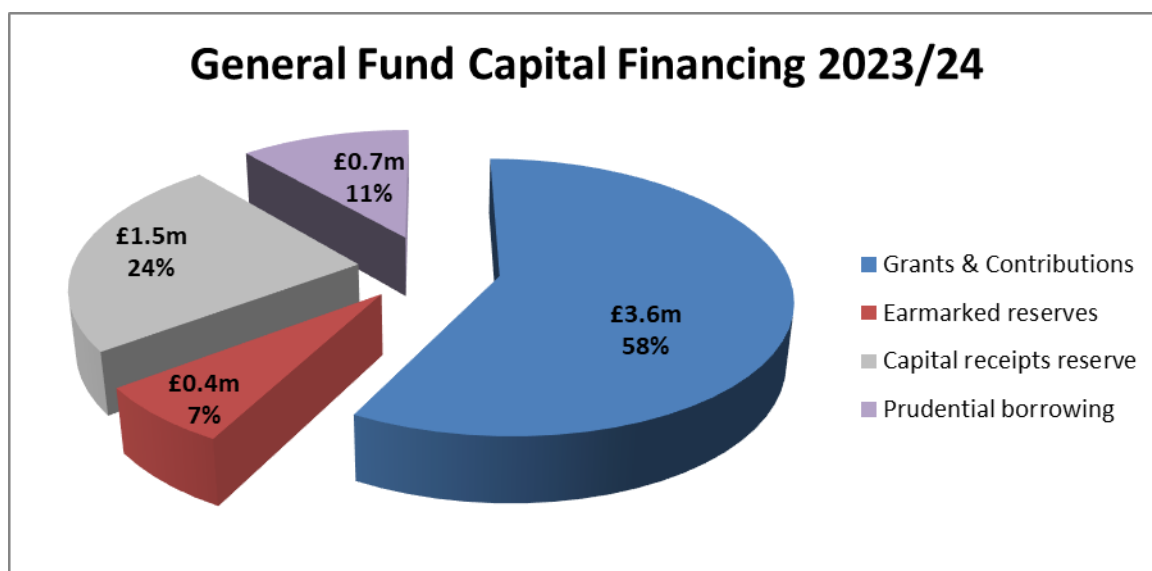
## 21 Flexible use of capital receipts

- 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 2024 (CAB3443)). However, the approved strategy allows it do so should there be qualifying spend 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 2023/24 General Fund capital expenditure is illustrated in the following graph. The single largest source of finance was capital grants and contributions including £1.6m 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 £159.7m 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 2023/24 additional provision for financing capital of £0.6m was made in the General Fund; this was funded by the capital receipt from the sale of Upper Brook St. Car Park and was applied to reduce the CFR in respect of the leisure centre which will reduce the ongoing MRP revenue cost. This is shown as voluntary provision for the financing of capital in the table below.

<b>Capital Financing Requirement</b>	<b>General Fund £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
<b>Capital Financing Requirement at 1 April 2023</b>	<b>71,653</b>	<b>199,777</b>	<b>271,430</b>
Unfinanced capital expenditure - in year	698	12,856	13,554
Minimum revenue provision (MRP)	(1,591)	0	(1,591)
Voluntary provision for the financing of capital	(600)	(87)	(687)
<b>Capital Financing Requirement at 31 March 2024</b>	<b>70,160</b>	<b>212,546</b>	<b>282,706</b>
<b>Made up of:</b>			
External borrowing	0	159,722	159,722
Internal borrowing	70,160	52,824	122,984

### 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 £71.6m as at 31 March 2024 (£70.0m as at 31 March 2023) and generated gross income of £4.27m and net income after costs, including minimum revenue provision, of £2.74m in 2023/24. This income helps contribute to the Council Plan outcomes. This represents an average net yield of 3.8%.
- 23.2 In 2023/24, the council disposed of part of its share in a Partnered Home Purchase (PHP) scheme shared property following staircasing.

*Property held for investment purposes in £000s*

<b>1 April 2023</b>	<b>71,033</b>
Acquisitions	0
Enhancements	3
Disposals	(87)
Gains/(losses) in fair value	697
Transfer (to)/from PPE (operational assets) *	0
<b>31 March 2024</b>	<b>71,646</b>

\*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 council tax, business rates, and non-ringfenced government grants. 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*

	<b>2022/23 actual</b>	<b>2023/24 forecast</b>	<b>2023/24 actual</b>	<b>2024/25 budget</b>
GF financing costs (£m)	1.6	1.6	1.6	1.8
GF proportion of net revenue stream	8.2%	7.9%	7.2%	9.0%
HRA financing costs (£m)	5.4	7.1	5.3	8.2
HRA proportion of net revenue stream	17.4%	21.4%	15.9%	22.4%

## 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 identified within the MTFS, this is not recommended at this stage.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3444 - General Fund Budget 2024/25 dated 08 February 2024

CAB3443 – Capital Investment Strategy 2024-2034 dated 08 February 2024

CAB3430 - General Fund Budget Options and Medium Term Financial Strategy dated 21 November 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 2023/24 outturn

Appendix 5 – Revised 2024/25 General Fund Capital Programme

Appendix 6 – Revised 2024-2034 General Fund Capital Programme