

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2008/09 - 2011/12		
DATE OF DECISION:	2nd FEBRUARY 2009 (CABINET) 18th FEBRUARY 2009 (COUNCIL)		
REPORT OF:	CABINET MEMBER FOR RESOURCES & WORKFORCE PLANNING PORTFOLIO		
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STATEMENT OF CONFIDENTIALITY

Appendix 4 of this report is not for publication by virtue of category 3 (financial and business affairs) of paragraph 10.4 of the Access to Information Procedure Rules as contained in the Constitution. It is not in the public interest to disclose this information because it comprises financial and business information that if made public would prejudice the Council's ability to operate in a commercial environment and obtain best value during acquisition negotiations.

SUMMARY

The purpose of this report is to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 17th September 2008. This report also outlines the way in which the revised programme has been funded reflecting the changes in availability and usage of capital resources.

The net result of the changes in this report is that the current overall programme has increased by £16.7M.

RECOMMENDATIONS:**CABINET****Recommends that Full Council**

- (i) Approve the revised General Fund Capital Programme and use of resources;
- (ii) Add £10,141,000 to the Environment & Transport capital programme for increased capital spend on Roads funded from £5,735,000 of unsupported borrowing and £4,406,000 of Direct Revenue Financing;
- (iii) Add £46,000 to the Environment & Transport capital programme for the Multi Storey Car Park maintenance programme to be funded from unsupported borrowing (the borrowing costs to be paid for from the On Street Parking Surplus Account);

- (iv) Add £15,000 to the Housing & Local Services capital programme in 2009/10 for Improvements to Lordshill Community Facilities, to be funded from corporate resources;
- (v) Add £600,000 to the Housing & Local Services capital programme in 2011/12 for Disabled Facilities Grants to be funded from corporate resources;
- (vi) Approve the revised funding for the Accommodation Strategy (see paragraph 22);
- (vii) Add £50,000 to Leisure, Culture & Heritage capital programme in 2009/10 for Libraries Radio Frequency Identification (RFID) to be funded from a £23,000 virement from the Quays Extension to Gym Facilities and £27,000 of unsupported borrowing;
- (viii) Add £43,000 to the Children's Services capital programme in 2009/10 for the Children's Social Services single capital pot allocation;
- (ix) Approves new spending of £60,000 for urgent works at the City's kennels, £150,000 for improvements at the crematorium and £500,000 as matched funding for feasibility and design works for the Sea City Museum.
- (x) Approves the over programming of £3.3M as detailed in paragraph 11;
- (xi) Delegates authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to take any necessary steps to progress opportunities arising from new or accelerated Government capital funding;
- (xii) Delegates authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to approve the acquisition of strategic property as detailed in Appendix 4;
- (xiii) Delegates authority to the Executive Director of Resources in consultation with the Solicitor to the Council to do anything necessary to give effect to the recommendations in this report.

COUNCIL

It is recommended that Council

- (i) Approve the revised General Fund Capital Programme and use of resources;
- (ii) Add £10,141,000 to the Environment & Transport capital programme for increased capital spend on Roads funded from £5,735,000 of unsupported borrowing and £4,406,000 of Direct Revenue Financing;
- (iii) Add £46,000 to the Environment & Transport capital programme for the Multi Storey Car Park maintenance programme to be funded from unsupported borrowing (the borrowing costs to be paid for from the On Street Parking Surplus Account);

- (iv) Add £15,000 to the Housing & Local Services capital programme in 2009/10 for Improvements to Lordshill Community Facilities, to be funded from corporate resources;
- (v) Add £600,000 to the Housing & Local Services capital programme in 2011/12 for Disabled Facilities Grants to be funded from corporate resources;
- (vi) Approve the revised funding for the Accommodation Strategy (see paragraph 22);
- (vii) Add £50,000 to the Leisure, Culture & Heritage capital programme in 2009/10 for Libraries Radio Frequency Identification (RFID) to be funded from a £23,000 virement from the Quays Extension to Gym Facilities and £27,000 of unsupported borrowing;
- (viii) Add £43,000 to the Children's Services capital programme in 2009/10 for the Children's Social Services single capital pot allocation;
- (ix) Approves new spending of £60,000 for urgent works at the City's kennels, £150,000 for improvements at the crematorium and £500,000 as matched funding for feasibility and design works for the Sea City Museum.
- (x) Approve the over programming of £3.3M as detailed in paragraph 11;
- (xi) Delegates authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to take any necessary steps to progress opportunities arising from new or accelerated Government capital funding;
- (xii) Delegates authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to approve the acquisition of strategic property as detailed in Appendix 4;
- (xiii) Delegates authority to the Executive Director of Resources in consultation with the Solicitor to the Council to do anything necessary to give effect to the recommendations in this report.

REASONS FOR REPORT RECOMMENDATIONS

1. The update of the Capital Programme is undertaken twice a year in accordance with Council Policy and is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.

CONSULTATION

2. The General Fund Capital Programme update summarises additions to the capital programme since September 2008. Each addition to the capital programme has been subject to the relevant consultation process at the time. The content of this report has been subject to consultation with Finance Officers from each portfolio.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the Budget setting process.

DETAIL

THE FORWARD CAPITAL PROGRAMME

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved. The Latest Programme figures include additions to the programme which are subject to approval of the specific recommendations.

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	Later Years £000	Total £000
Latest Programme	64,885	71,860	48,935	13,404	14,893	213,977
Sep 2008 Programme	77,383	51,338	49,938	0	18,651	197,310
Variance	(12,498)	20,522	(1,003)	13,404	(3,758)	16,667

5. The above table shows that the General Fund Capital Programme has increased by £16.7M. With the exception of changes requiring approval detailed in this report's recommendations, all of the increase has been previously approved by Council, Cabinet or under delegated authority. The change in individual portfolios' capital programmes is illustrated in the following table:

	Latest Programme £000	Previous Programme £000	Total Change £000
Children's Services	64,517	62,147	2,370
Economic Development	19,790	19,642	148
Environment and Transport	46,352	33,277	13,075
Adult Social Care and Health	4,131	3,865	266
Housing and Local Services	28,069	25,083	2,986
Leaders Portfolio	0	0	0
Leisure, Culture & Heritage	22,183	17,640	4,543
Resources & Workforce Planning	28,935	35,656	(6,721)
TOTAL GF CAPITAL PROGRAMME	213,977	197,310	16,667

A summary of the major variations, together with the main source of funding and the main priorities to which they contribute, is detailed in Appendix 2.

CAPITAL RESOURCES

6. The resources which can be used to fund the capital programme are as follows:
- Supported Borrowing
 - Unsupported Borrowing
 - Capital Receipts from the sale of HRA assets
 - Capital Receipts from the sale of General Fund assets
 - Contributions from third parties
 - Central Government Grants
 - Grants from other bodies
 - Direct Revenue Financing raised from Council Tax payers or balances
7. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Housing Association schemes within the Housing and Local Services Portfolio.

CHANGES IN AVAILABLE RESOURCES

8. The additional spending within the Capital programme must be met from additional sources of finance. The following table shows the resource changes that have taken place since September 2008:

	£000
Supported Borrowing	113
Unsupported Borrowing	5,226
Capital Receipts	(6,230)
Contributions	197
Capital Grants	10,895
Car Parking Surplus	250
Direct Revenue Financing from Balances	(220)
Direct Revenue Financing from Portfolios	4,905
Total Change in Available Resources	15,136

9. The main reasons for the resource changes are detailed in Appendix 3 but the table shows that the forecast for capital receipts has been significantly reduced following changes in land values due to the current economic climate. This has inevitably impacted on the funding of the programme which is explored in the next section.

OVERALL USE OF RESOURCES

10. The following table shows capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	Later Years £000	Total £000
Children's Services	20,829	23,578	19,439	532	139	64,517
Economic Development	9,718	8,804	1,261	7	0	19,790
Environment and Transport	18,361	17,727	10,064	200	0	46,352
Adult Social Care and Health	1,210	2,605	316	0	0	4,131
Housing and Local Services	7,658	8,506	6,432	5,473	0	28,069
Leaders Portfolio	0	0	0	0	0	0
Leisure, Culture & Heritage	1,244	4,896	4,445	255	11,343	22,183
Resources & Workforce Planning	5,865	5,744	6,978	6,937	3,411	28,935
Young People & Skills	0	0	0	0	0	0
TOTAL GF CAPITAL PROGRAMME	64,885	71,860	48,935	13,404	14,893	213,977

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	Later Years £000	Total £000
Financing:						
Supported Borrowing	7,674	8,570	6,840	6	0	23,089
Unsupported Borrowing	14,979	10,895	3,878	0	3,370	33,122
Capital Receipts	17,484	6,539	11,791	9,656	8,150	53,619
Contributions	3,454	4,883	946	50	1,431	10,764
Capital Grants	18,911	28,720	22,281	4,713	5,754	80,379
Car Parking Surplus	200	200	0	0	0	400
Direct Revenue Financing from Balances	1,111	2,149	0	124	(124)	3,260
Direct Revenue Financing from Portfolios	1,405	1,841	2,693	0	124	6,063
Total Financing	65,217	63,797	48,429	14,549	18,705	210,696
Surplus/(Deficit)	332	(8,064)	(506)	1,145	3,812	(3,281)

11. The table above shows that following the latest update of the capital programme there is deficit of £3.3M due to the loss of capital receipts. At this stage rather than make large scale changes to the existing programme for what it is hoped is a short term problem, it is recommended that the Council 'over programme' on the basis that in future years the position will recover. It is felt that this position is still prudent as the Council has decided not to proceed with a number of major land sales due to the current economic climate, the value of which more than covers the current level of over programming.
12. The table also shows that there is deficit funding in the early years of the programme and whilst it is anticipated that slippage in spending and new sources of capital funding will become available to cover this, Council in September approved delegated powers to prudentially borrow to cover any in year deficit if required
13. Furthermore, due to the current resourcing position there has been no formal capital bidding round this year and only essential new schemes have been considered for inclusion in the programme which are explored in detail in the next section.

PROPOSED NEW CAPITAL SPENDING

14. Council are asked to approve the addition of the following new schemes. These have been split into three categories:
 1. New funding allocations announced from the Government
 2. Additions consistent with previous policy decisions
 3. New spending priorities put forward by Cabinet
15. It is important that any new capital spending supports the Council's priorities or provides essential infrastructure to support those priorities. Appendix 2, which details the major variations since the last Capital update, links major new additions to the Council's five priorities.

NEW FUNDING ALLOCATIONS ANNOUNCED FROM THE GOVERNMENT

16. The Early Years capital budget is increased by £1.4M specifically for the Sure Start children's centre which is funded by Sure Start grant.

CHANGES CONSISTENT WITH PREVIOUS POLICY DECISIONS

17. An additional £10.1M has also been added for highways schemes reflecting the additional £800,000 per annum that is being added to the General Fund revenue budget. This will contribute to additional prudential borrowing together with Direct Revenue Financing (DRF) in order to maximise the annual programme of spend over the next few years.
18. The Environment and Transport Capital Programme includes a sum of £3.160M for the 'buy out' of the Council's share of the Marchwood Energy Recovery Facility. Formal approval for this was granted at the Council meeting on 21st January 2009 and the net revenue saving arising from this transaction is included in the General Fund revenue report presented elsewhere on this agenda.

19. Access to Oasis Academy Mayfield. The City Council is responsible for delivering the redevelopment of the former Grove Park School site for the new Oasis Academy Mayfield. The Funding Allocation Model (FAM) for the new Academy does not provide for additional infrastructure costs. A new vehicular access to the site is required which must be funded by the City Council. The cost of acquiring the site and constructing the new access has therefore been added to the capital programme which will be funded from prudential borrowing and a capital receipt from the sale of surplus land once the access has been completed.
20. Disabled facility grants and Private sector loans and grants have increased due to the addition of an extra year to the capital programme. Part of which has been funded through the use of £600,000 corporate resources in order to maintain the current annual level of the programme.
21. Housing association grants have been reduced by £1.3M in the current programme reflecting a reduction in the resources available to fund this area of expenditure (caused largely by a reduction in right to buy sales) offset by an additional year being added to the capital programme.
22. The September 2008 update of the Capital Programme contained figures for progressing the Council's overall accommodation strategy in line with previous assumptions. At this stage negotiations were continuing with Capita and their development partner over the deal for the Regional Business Centre. Now that this has been concluded there have been some changes to the accommodation strategy and financing arrangements. The key change relates to the removal of a premium payment for the RBC which was going to be met from prudential borrowing. The Council is now taking a normal property lease for the building and the rental payments can be contained within the overall revenue envelope previously agreed by Council for the accommodation strategy.

NEW SPENDING PRIORITIES PUT FORWARD BY CABINET

23. The City Council owned kennels are in a poor state of repair and officers are currently exploring options for alternative arrangements for providing the kennelling service. In the meantime a number of critical health and safety issues have been identified which need to be addressed and a sum of £60,000 has therefore been added to the programme to deal with these.
24. An additional £150,000 has been added to the programme for further improvements at the crematorium that will modernise the chapels, provide better external waiting areas for visitors and re-design and refurbish the area around the book of remembrance.
25. The Council submitted an application to the Heritage Lottery Fund in order to progress the development of a 'Sea City Museum' on the site of the old magistrates courts / police block. The Council has been successful in the first stage of the project and has been awarded £500,000 matched funding to progress the scheme to the planning permission stage and therefore the Council must also add £500,000 of its own resources if it wishes to continue with the scheme.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

26. As set out in the report details.

Revenue

27. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the General Fund Revenue Budget report elsewhere on the agenda. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

28. There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.

Other

29. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

30. The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

31. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, and the Race Relations (Amendment) Act 2001 and other associated legislation.

POLICY FRAMEWORK IMPLICATIONS

32. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations since September 2008 Capital Update
3.	Major Reasons for Changes in Capital Resources
4.	Confidential Appendix

Documents In Members' Rooms

1.	None
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Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The General Fund Capital Programme 2007/08 to 2010/11 as approved by Council on 17th September 2008.	
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Background documents available for inspection at: www.southampton.gov.uk meeting papers

FORWARD PLAN No: RW03321

KEY DECISION? YES

WARDS/COMMUNITIES AFFECTED:	The Capital Programme affects all wards in the City.
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