

DECISION-MAKER:	COUNCIL
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2011/12 TO 2014/15
DATE OF DECISION:	12 SEPTEMBER 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF 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 15 February 2012. 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 £28.5M. The capital programme is fully funded.

RECOMMENDATIONS:

It is recommended that Council:

- i) Approve the revised General Fund Capital Programme, which totals £197.1M (as detailed in paragraph 4) and the associated use of resources.
- ii) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.
- iii) Note the slippage and re-phasing as described in detail in Appendix 3.
- iv) Note the transfer of £200,000 from the Environment & Transport Capital Programme to the Children's Services Capital Programme to fund transport measures associated with the delivery of the new Academy school in Nursling in order to facilitate better project management of the overall work.
- v) Note that additional temporary borrowing taken out in 2010/11 and 2011/12 due to cashflow issues, totalling £11.9M, is forecast to be repaid by the end of 2013/14 as anticipated capital receipts are finally received.
- vi) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) and its impact for 2011/12 and future years.
- vii) Note that in addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there will be additional receipts which will flow from the enhanced sale of assets programme as this comes to fruition. However at this early stage it is not possible to estimate the amount or timing of these additional receipts with any certainty.

- viii) Note the financial and project issues which are set out in paragraphs 26 to 30 and detailed in Appendix 3 for each Portfolio.

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.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. 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 (Including consultation carried out)

CONSULTATION

3. The General Fund Capital Programme update summarises additions to the capital programme since February 2012. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the key role played by Capital Boards and the use of the Councils project management system Sharepoint. The content of this report has been subject to consultation with Finance Officers from each portfolio.

THE FORWARD CAPITAL PROGRAMME

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved by Council in February 2012.

	2011/12	2012/13	2013/14	2014/15	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	80,066	65,677	27,146	18,661	5,512	197,062
Previous Programme	94,341	44,600	13,641	716	15,242	168,540
Variance	(14,275)	21,077	13,505	17,945	(9,730)	28,522

5. The above table shows that the General Fund Capital Programme has increased by £28.5M. All of these changes have been previously approved by Council, Cabinet or made under delegated authority. Details of each individual portfolio's programme are shown in Appendix 1.

6. The change in individual portfolios' capital programmes is shown in the following table and a summary of the major variations, together with the source of funding and the priorities to which they contribute, is detailed in Appendix 2:

	Latest Programme £000's	Previous Programme £000's	Total Change £000's
Adult Services	3,999	4,248	(249)
Children's Services	80,254	58,251	22,003
Environment & Transport	40,407	33,511	6,896
Housing & Leisure Services	46,466	46,024	442
Leader's	5,091	5,654	(563)
Resources	20,845	20,852	(7)
Total GF Capital Programme	197,062	168,540	28,522

7. Further detail of the changes to each portfolio capital programme is contained in Appendix 3 which sets out both additions and slippage and re-phasing for schemes.

CAPITAL RESOURCES

8. 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 (DRF) raised from Council Tax payers or balances
9. 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 & Leisure Services Portfolio.

CHANGES IN RESOURCES

10. 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 February 2012:

	£000's
Unsupported Borrowing	713
Capital Receipts	119
Contributions	725
Capital Grants	28,136
Direct Revenue Financing from Balances	(30)
Direct Revenue Financing from Portfolios	(1,141)
Total Change in Resources	28,522

11. The main reasons for the resource changes are detailed in Appendix 4. It should be noted that the programme takes into account the outcome of the Comprehensive Spending Review and its impact for 2011/12 and future years. This affects areas such as the roads programme within the Environment & Transport capital programme which is heavily reliant on grant funding from government each year.
12. The largest increase in available resources relates to Government capital grants. This is largely for expenditure on schools within Children's Services.

OVERALL USE OF RESOURCES

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

	2011/12	2012/13	2013/14	2014/15	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Adult Services	1,026	2,848	125			3,999
Children's Services	32,417	30,191	11,972	1,845	3,829	80,254
Environment & Transport	17,282	17,040	5,543	542		40,407
Housing & Leisure Services	17,939	5,596	6,316	16,024	591	46,466
Leader's	1,366	1,473	910	250	1,092	5,091
Resources	10,036	8,529	2,280			20,845
Total GF Capital Programme	80,066	65,677	27,146	18,661	5,512	197,062

	2011/12	2012/13	2013/14	2014/15	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Unsupported Borrowing	18,515	4,785	(8,071)	108		15,337
Capital Receipts	5,400	12,897	16,768	7,111	1,103	43,279
Contributions	6,676	4,085	1,536	2,521	24	14,842
Capital Grants	43,044	36,715	16,737	8,671	3,587	108,754
Car Parking Surplus	199					199
DRF from Balances	1,820	2,801	10			4,631
DRF from Portfolios	4,412	4,394	166	250	798	10,020
Total Financing	80,066	65,677	27,146	18,661	5,512	197,062
Surplus / (Deficit)	0	0	0	0	0	0

14. The table above shows that following the latest update the programme continues to be fully funded as it was in February 2012.
15. Funding for the capital programme is heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the changes in the economic climate have increased the Council's risk in this area.
16. This was recognised in 2008 and in the event therefore that there was a temporary deficit in the funding of the capital programme due to delays in receiving capital receipts, delegated authority was given by Council to the Chief Financial Officer, following consultation with the Cabinet Member for Resources, to undertake additional borrowing in order to provide cover for any delays in the timing of capital receipts
17. Due to anticipated delays in the receipt of funding from the sale of capital assets an additional £9.2M had to be borrowed to fund the programme in 2011/12 and £2.7M in 2010/11, which was in line with delegated powers approved in September 2008. The additional revenue costs associated with undertaking this prudential borrowing have been built into future budget forecasts.
18. Despite the ongoing economic difficulties, which have reduced and delayed capital receipts from the sales of land and property, the Council's capital programme is fully funded and based on the latest forecast of capital receipts the temporary borrowing undertaken to date of £11.9M will be repaid by the end of 2013/14.
19. The funding and cashflow position of the overall capital programme is susceptible to changes in the estimated value of future capital receipts and their timing. This has arisen due to the approval of schemes based on future estimates of receipts and the fact that the reserve of receipts has been exhausted. This situation was exacerbated by the recession but is a risk which needs to be considered in the future approach adopted for capital additions.

It is intended to move to a position where schemes are only approved when receipts are received or certain and when a sufficient reserve of receipts has been built up to protect against volatility in the timing and level of uncertain future receipts.

20. The forecast of capital receipts includes a risk factor calculated by Valuation Services that reduces some receipt values to take account of the uncertainty inherent in these estimated values. This should mitigate the impact of any individual changes in receipts and also ensure that an appropriately realistic forecast is presented. Capital receipts are actively monitored throughout the year and this will continue.
21. The Council has recently reviewed its property portfolio with a view to selling those assets that are surplus to requirements, thus potentially realising a significant level of capital receipts. It should be noted that the exact total and timing of such receipts is still very much unknown and will be subject to change however it should allow the Council to build up a reserve of receipts in future years. The use to which any additional receipts are put will be considered in the light of the Council's priorities.

CHANGES TO THE PROGRAMME

22. Given the lack of spare resources in the programme and the lack of available capital resources over the past three years, additions to the programme are only considered in very exceptional circumstances.
23. A number of changes to the overall programme have been approved at Capital Boards and via separate reports.
24. There are no new additions included as part of this report but Council is asked to note the transfer of £200,000 from the Environment & Transport Capital Programme to the Children's Services Capital Programme to implement transport measures associated with the delivery of the new Academy school in Nursling, in order to facilitate better project management of the overall work.

NEW SPENDING PRIORITIES PUT FORWARD BY CABINET

25. Due to the current lack of additional funding, no new initiatives are being proposed.

FINANCIAL & PROJECT ISSUES

26. In the past, there have been issues with regard to delivery of schemes in the light of which a review of project management within the Council was undertaken and a project management system, (Sharepoint), developed and implemented. Following a period to establish the efficient and effective use of Sharepoint across the Council this report includes an assessment of all facets affecting the delivery of the Capital Programme.
27. Within Sharepoint, projects are allocated a RAG status based on the following broad criteria:

- **RED – Significant Concern** - Low level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3 (project initiation). Any significant risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and a Red RAG status selected where the Project Manager believes that the risk and/or issue may lead to significant slippage or impact cost and / or quality.
- **AMBER – Some Concern** - Medium level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any medium risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and an Amber RAG status selected where the Project Manager believes that the risk and/or issue may lead to some slippage or impact cost and / or quality.
- **GREEN – On Track** - High level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any minor risks or issues can be noted under 'Highlighted Risks and Issues' on the Highlight Report. The RAG status would remain 'Green' unless the risk and/or issue is likely to lead to some or significant slippage or impact cost and / or quality.

28. Appendix 3 contains detail about financial and project issues within each Portfolio Capital Programme which need to be brought to the attention of Council.

29. There are only three schemes where a material financial risk is being highlighted and the forecast variances are shown in the table below:

Key Adverse Variances

Portfolio	Scheme	Adverse Forecast £000's	Appendix 3 See Reference
Children's Services	Bitterne Park 6th Form	0	CS 8
Children's Services	Newlands Primary Rebuild	100	CS 9
Leisure & Culture	Sea City	358	LEIS 2

30. There are no schemes where there are corporate project issues to report at this stage, over and above those schemes referenced in the table above.

RESOURCE IMPLICATIONS

Capital

31. As set out in the report details.

Revenue

32. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the annual revenue budget setting meetings. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

33. 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

34. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

36. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, the Equality Act 2010, the duty to achieve best value and statutory guidance issued associated with that, and other associated legislation.

POLICY FRAMEWORK IMPLICATIONS

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

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KEY DECISION? Yes/No YES

WARDS/COMMUNITIES AFFECTED:	ALL
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations Since the February 2012 Capital Update
3.	Key Issues – September 2012 Programme
4.	Major Changes in Capital Resources since the February 2012 Update

Documents In Members' Rooms

1.	No
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	The General Fund Capital Programme 2010/11 to 2013/14 as approved by Council on the 15 February 2012.	
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