

## ITEM NO: 10

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	THE GENERAL FUND CAPITAL PROGRAMME 2009/10 - 2012/13		
<b>DATE OF DECISION:</b>	15 SEPTEMBER 2010		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES & WORKFORCE PLANNING PORTFOLIO		
<b>AUTHOR:</b>	Name:	ANDREW LOWE	Tel: 023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk	

### 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 17<sup>th</sup> February 2010. 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 £39.4M.

### RECOMMENDATIONS:

#### It is recommended that Council

- (i) Approve the revised General Fund Capital Programme (which totals £257.4M as detailed in paragraph 4) and use of resources.
- (ii) Approve the over programming of £10.5M as detailed in paragraph 11 which is within the previously approved tolerances.
- (iii) Add £1.5M to the Leisure, Culture & Heritage capital programme for the SNAC scheme to be funded by the additional grant recently awarded to the Council.
- (iv) Add £71,000 to the Leader's capital programme in 2010/11 for feasibility studies and programme management to be funded from corporate resources.
- (v) Approve the revised Prudential Indicators, reflecting the updated capital programme, as detailed in Appendix 4.
- (vi) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, due to the uncertainty surrounding the Comprehensive Spending Review for 2011/12 and future years.

### 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 February 2010. 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 developing use of the Councils project management system Sharepoint. 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.

	2009/10	2010/11	2011/12	2012/13	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	51,081	118,956	53,682	21,530	12,173	257,422
Feb 2010 Programme	61,765	83,172	38,817	23,652	10,636	218,042
<b>Variance</b>	<b>(10,684)</b>	<b>35,784</b>	<b>14,865</b>	<b>(2,122)</b>	<b>1,537</b>	<b>39,380</b>

5. The above table shows that the General Fund Capital Programme has increased by £39.4M. 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. Details of each portfolio's programme are shown in Appendix 1.

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:

	<b>Latest Programme £000's</b>	<b>Previous Programme £000's</b>	<b>Total Change £000's</b>
Children's Services & Learning	70,804	58,160	12,644
Leader's (Economic Development.)	15,698	12,978	2,720
Environment & Transport	47,871	47,587	284
Adult Social Care & Health	5,155	3,687	1,468
Housing	17,081	23,067	(5,986)
Local Services & Community Safety	3,140	2,556	584
Leisure, Culture & Heritage	43,574	40,707	2,867
Resources & Workforce Planning	54,099	29,300	24,799
<b>Total GF Capital Programme</b>	<b>257,422</b>	<b>218,042</b>	<b>39,380</b>

## **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 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 February 2010:

	<b>£000's</b>
Supported Borrowing	157
Unsupported Borrowing	31,168
Capital Receipts	(2,122)
Contributions	(2,805)
Capital Grants	9,487
Car Parking Surplus	85
Direct Revenue Financing from Balances	(269)
Direct Revenue Financing from Portfolios	223
<b>Total Change in Available Resources</b>	<b><u>35,924</u></b>

9. The main reasons for the resource changes are detailed in Appendix 3. It should be noted that the programme is based on prudent assumptions of future Government Grants due to the uncertainty surrounding the outcome of the Comprehensive Spending Review for 2011/12 and future years which will not be announced until October. Depending on final allocations it will be necessary to review the amounts in the programme and/or consider alternative funding sources. 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. In addition future year grants have not been added to the Housing portfolio as in previous years.

#### **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:

	2009/10	2010/11	2011/12	2012/13	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Children's Services & Learning	14,475	31,679	20,334	4,232	84	70,804
Leader's (Economic Development)	5,331	8,629	31		1,707	15,698
Environment & Transport	16,723	23,880	6,216	1,052		47,871
Adult Social Care & Health	1,382	1,954	1,819			5,155
Housing	5,797	5,768	3,685	1,541	290	17,081
Local Services & Community Safety	869	1,667	604			3,140
Leisure, Culture & Heritage	2,827	8,949	12,653	9,053	10,092	43,574
Resources & Workforce Planning	3,677	36,430	8,340	5,652		54,099
<b>Total GF Capital Programme</b>	<b>51,081</b>	<b>118,956</b>	<b>53,682</b>	<b>21,530</b>	<b>12,173</b>	<b>257,422</b>

	2009/10	2010/11	2011/12	2012/13	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Financing:						
Supported Borrowing	8,920	6,840	6			15,766
Unsupported Borrowing	14,504	48,208	1,423	2,954	2,035	69,124
Capital Receipts	7,175	5,391	9,920	600	25,878	48,964
Contributions	2,231	6,799	3,686	3,366	1,434	17,516
Capital Grants	14,454	34,925	23,180	9,288	3,297	85,144
Car Parking Surplus		85	200			285
Direct Revenue Financing from Balances	803	1,632	49			2,484
Direct Revenue Financing from Portfolios	2,449	3,793	1,238	133		7,613
<b>Total Financing</b>	<b>50,536</b>	<b>107,673</b>	<b>39,702</b>	<b>16,341</b>	<b>32,644</b>	<b>246,895</b>
<b>Surplus / (Deficit)</b>	<b>(545)</b>	<b>(11,283)</b>	<b>(13,980)</b>	<b>(5,189)</b>	<b>20,471</b>	<b>(10,526)</b>

11. The table above shows that following the latest update of the capital programme there is deficit of £10.5M due largely to the loss of capital receipts. This is an increased deficit compared to the £7.1M deficit reported in February 2010 and reflects a further reduction in the value of anticipated capital receipts. At this stage rather than make large scale changes to the existing programme, it is recommended that the Council “over-programme’ on the basis that in future years the position will improve. The deficit represents 4.1% of the overall capital programme which is within the limit of 5% set in the Medium Term Financial Strategy and approved on the 13<sup>th</sup> May 2009.
12. The table also shows that there is deficit funding in the early years of the programme and the biggest individual deficit is £14M in 2011/12. However, analysis of previous programmes has shown that there has been on average a minimum level of slippage of £15M per annum and therefore based on the current profile of the programme it is anticipated that the over programming can be contained.
13. It is therefore proposed at this stage to manage the deficit in individual years through slippage in the programme, which will be monitored carefully throughout the year, although delegated powers do exist to prudentially borrow in the event of a deficit in any particular year. The overall deficit of £10.5M in the programme will be met from new resources that will become available in future years or by the use of prudential borrowing, the costs of which will have to be built into future budget forecasts. This will need to be reviewed in the February 2011 update when the likely outturn position will be easier to assess.
14. The proposed capital programme in this report contains two items for approval, namely
  - The addition of an extra £71,000 for feasibility studies and programme management for major sites in the Leader’s capital programme to be funded by unsupported borrowing. This is a continuation of previous funding that has been allocated to progress key sites in the City but due to restrictions on capital funding provision is only being made one forward year at a time. At this stage only the costs for the remainder of 2010/11 are being added
  - The addition of £1.5M to the Leisure, Culture & Heritage capital programme for the SNAC scheme to be funded by the additional grant recently awarded to the Council
15. The main changes in the capital programme are outlined in paragraphs 16 to 20 and some of these schemes have been subject to separate reports to Cabinet or Council in recent months.

## **CHANGES TO THE PROGRAMME**

16. The addition to the Resources & Workforce Planning programme for the purchase of One Guildhall Square at a cost of £26M funded from unsupported borrowing which was financed from within existing resources. Cabinet approved spend on this scheme on the 21st June 2010.
17. The addition of the Mayfield academy scheme to the Children’s Services and Learning portfolio with a budget of £15.4M funded fully by Government grants.

18. Home Improvement Loans have reduced in the Housing portfolio by £2.3M as a result of a reduction in Government grants.
19. The addition of the Eastpoint lease surrender scheme to the Leader's portfolio with a budget of £2.8M to be funded from the eventual sale of the Eastpoint site. Council approved spend on this scheme, which will enable the building and servicing of the new Community Training and Conference Centre, on the 21<sup>st</sup> December 2009.
20. A recommendation to approve the addition of £1.5M to the Leisure, Culture & Heritage programme for SNAC to be funded by the additional grant recently awarded to the Council. This extra funding is largely so that the art gallery footprint on the ground floor can be increased as well as to address other key ACE issues regarding the design, vision, viability and governance of the arts complex.

### **PRUDENTIAL INDICATORS**

21. The Prudential Code recommends that Prudential Indicators should be updated when the capital programme is revised. Appendix 4 contains the updated Prudential Indicators on the assumption that the revised capital programme is approved. The updated indicators show that the Council's borrowing requirement is well within the limits set. Council are asked to approve the revised indicators.

### **Upper Limit for Total Principal Sums Invested for Periods Over 364 Days**

22. One of the Prudential Indicators for Treasury Management sets an upper limit on the maximum that can be invested over 364 days. The Council's core funds, which consist of General Fund and Housing Revenue Account balances, Schools balances and PFI reserves, are invested with a longer-term strategic focus and are currently invested mainly in one year deposits. Based on the forward projections for its investment balances and its budgeted income requirement, the Council will evaluate and consider investment opportunities to earn an optimum return, to build in consistency of return over the medium term and to diversify and manage risk.
23. During recent years, the Council has worked with its Treasury Management advisers to build a rolling investment programme of 1 year cash deposits. This programme has achieved enhanced investment returns and improved both certainty and stability, whilst retaining liquidity. The primary focus is always on the conservation of capital.
24. Further information on Prudential Indicators can be found in Appendix 4.

### **NEW SPENDING PRIORITIES PUT FORWARD BY CABINET**

25. Due to the current over-programming and lack of additional funding, no new initiatives, other than those outlined above as consistent with previous policy decisions are being proposed.

## **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 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**

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 February 2010 Capital Update
3.	Major Reasons for Changes in Capital Resources
4.	Prudential Indicators

**Documents In Members’ Rooms**

1.	
2.	

**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 2009/10 to 2012/13 as approved by Council on 17 <sup>th</sup> February 2010.	
2.		

**Background documents available for inspection at:**

**KEY DECISION?**

n/a

<b>WARDS/COMMUNITIES AFFECTED:</b>	All.
------------------------------------	------