

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	THE GENERAL FUND & HOUSING REVENUE ACCOUNT CAPITAL STRATEGY & PROGRAMME 2018/19 TO 2022/23		
DATE OF DECISION:	19 FEBRUARY 2019 (CABINET) 20 FEBRUARY 2019 (COUNCIL)		
REPORT OF:	CABINET MEMBER FOR FINANCE & CUSTOMER EXPERIENCE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

The purpose of this report is to update the Capital Strategy and to inform Council of any major changes in the overall General Fund and HRA Capital Programme for the period of 2018/19 to 2022/23, highlighting the changes in the programme since the last reported position to Cabinet in November 2018.

The net result of the changes since the previous report is that the current overall programme has increased by £16.68M within the General Fund programme and £36.69M within the HRA programme.

RECOMMENDATIONS:

It is recommended that Cabinet:

	(i)	Notes the revised General Fund Capital Programme, which totals £184.11M (as detailed in paragraphs 6 & 30) and the associated use of resources.
	(ii)	Notes the revised Housing Revenue Account (HRA) Capital Programme, which totals £221.59M (as detailed in paragraph 6 & 30) and the associated use of resources.
	(iii)	Notes that a further £16.68M has been added to the General Fund programme and £36.69M to the HRA programme totalling £53.37M, requiring approval to spend, by Cabinet subject to the relevant financial limits. These additions are detailed in paragraphs 9 to 13 and Appendix 1.

	(iv)	Notes the net addition of £53.37M to the overall capital programme and the request for approval to spend £53.37M as detailed in paragraphs 9 to 13 and Appendix 1.
	(v)	Notes the slippage and re-phasing totalling £20.52M as set out in paragraphs 14 to 21 and as detailed in Appendix 2.
	(vi)	Notes the removal of schemes from the general fund capital programme totalling £3.90M and £12.05M from the HRA capital programme as set out in paragraphs 14 to 21 and as detailed in Appendix 1.
	(viii)	Notes that the capital programme remains fully funded up to 2022/23 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and the use of prudent assumptions of future Government Grants to be received.
	(ix)	Note that a review of the Council's capital strategy has been undertaken as detailed in Appendix 4.
It is recommended that Council:		
	(i)	Approves the revised General Fund Capital Programme, which totals £184.11M (as detailed in paragraphs 6 & 30) and the associated use of resources.
	(ii)	Approves the revised Housing Revenue Account (HRA) Capital Programme, which totals £221.59M (as detailed in paragraph 6 & 30) and the associated use of resources.
	(iii)	Approves additions of £16.68M which has been added to the General Fund programme and £36.69M to the HRA programme totalling 53.37M, requiring approval to spend. These additions are detailed in paragraphs 9 to 13 and Appendix 1.
	(iv)	Approves the addition of £53.37M to the overall capital programme and the request for approval to spend £53.37M as detailed in paragraphs 9 to 13 and Appendix 1.
	(v)	Approves the slippage and re-phasing totalling £20.52M as set out in paragraphs 14 to 21 and as detailed in Appendix 2.
	(vi)	Approves the removal of schemes from the general fund capital programme totalling £3.90M and £12.05M from the HRA capital programme as set out in paragraphs 14 to 21 and as detailed in Appendix 1.
	(vii)	Notes that the capital programme remains fully funded up to 2022/23 based on the latest forecast of available resources although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts and

		the use of prudent assumptions of future Government Grants to be received.																												
	(viii)	Approves the Council's capital strategy detailed in Appendix 4.																												
REASONS FOR REPORT RECOMMENDATIONS																														
1.	The Capital Programme is reviewed on a quarterly basis in accordance with the Council's Capital Strategy. The forecast position is reported to the Council Capital Board with any required programme update reported to Cabinet and Council for approval. This 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 in the light of the funding available and the overall financial position.																													
DETAIL (Including consultation carried out)																														
	CONSULTATION																													
3.	Service Directors, Service Leads and Project Managers have been consulted in preparing the reasons for variations contained in this report. The General Fund and HRA capital programme monitoring report summarises additions to the capital programme and slippage and rephasing since the last approved programme reported in November 2018. Each addition has been subject to the relevant consultation process which reflects the role played by Council Capital Board. The content of this report has been subject to consultation with Finance Officers for each service.																													
THE FORWARD CAPITAL PROGRAMME																														
4.	Table 1 shows a comparison of the latest capital expenditure for the period 2018/19 to 2022/23 compared to the previously reported programme.																													
	<p><u>Table 1 – Programme Comparison</u></p> <table border="1"> <thead> <tr> <th></th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest Programme</td> <td>124.57</td> <td>104.95</td> <td>70.99</td> <td>47.56</td> <td>57.62</td> <td>405.70</td> </tr> <tr> <td>Previous Programme</td> <td>140.09</td> <td>71.27</td> <td>74.92</td> <td>47.41</td> <td>18.63</td> <td>352.32</td> </tr> <tr> <td>Variance</td> <td>(15.52)</td> <td>33.68</td> <td>(3.93)</td> <td>0.15</td> <td>38.99</td> <td>53.37</td> </tr> </tbody> </table>			2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M	Latest Programme	124.57	104.95	70.99	47.56	57.62	405.70	Previous Programme	140.09	71.27	74.92	47.41	18.63	352.32	Variance	(15.52)	33.68	(3.93)	0.15	38.99	53.37
	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M																								
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Variance	(15.52)	33.68	(3.93)	0.15	38.99	53.37																								
5.	The overall increase in the programme of £53.37M principally exists within the Transport and Public Realm Portfolio, the Clean Growth and Development portfolio and the Housing Revenue Account. These changes are detailed in paragraphs 9 to 13.																													

6. Table 2 below shows that the General Fund Capital Programme has increased by £16.68M with a further increase of £36.69M in the HRA Capital programme. Appendix 1 provides details of each variation by portfolios.

CHANGES TO THE OVERALL PROGRAMME

Table 2 – Changes in Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
Adult Care	1.86	1.86	0.00
Aspiration, Schools & Lifelong Learning	95.70	92.78	2.92
Clean Growth & Development	12.37	11.86	0.51
Community Wellbeing	4.43	3.74	0.69
Finance and Customer Experience	7.72	7.72	0.00
Homes and Culture	2.42	2.42	0.00
Transport and Public Realm	59.61	47.04	12.56
General Fund Programme	184.11	167.42	16.68
HRA Programme	221.59	184.90	36.69
Total Capital Programme	405.70	352.32	53.37

7. Appendix 1 summarises the changes by individual portfolio programmes to new schemes and changes to existing schemes, both where approval has been previously given by Council, Cabinet or made under delegated authority to amend the programme since the last reported position in November 2018 and where approval is sought as part of this report. The changes, where approval has already been given total £8.73M.

The proposed programme includes the following net additions, totalling £44.64M, which require approval as part of this report. Approval is being sought where the overall scheme value is greater than the Delegated Decision Notice approval limit, as set out in the Financial Procedure Rules (FPR). These are summarised in Appendix 1.

8. Table 3 summarises the items of major spend by Outcome.

Table 3 – Major Schemes by Outcome

Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Children and young people getting a good start in life	Early Years Expansion	0.56	0.65	0.00	0.00	0.00
	Play Area Improvements	0.38	0.32	0.00	0.00	0.00
	Primary Review & Expansion	1.12	1.12	0.00	0.00	0.00
	School Capital Maintenance	1.84	2.06	0.00	0.00	0.00

	Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
	Children and young people getting a good start in life	School Expansion Programme Phase 3	1.70	2.38	0.06	0.00	0.04
		Secondary Review & Expansion	4.24	13.88	28.21	11.96	18.59
		Springwell Expansion	3.40	3.83	0.00	0.00	0.00
		Other	0.06	0.00	0.00	0.00	0.00
	Southampton is a city with strong, sustainable economic growth	Affordable Housing	0.93	0.00	0.00	0.00	0.00
		Bridges Programme	1.64	0.25	0.00	0.00	0.00
		Integrated Transport	9.86	5.85	2.16	0.00	0.00
		Millbrook Roundabout	0.43	0.00	0.00	0.00	0.00
		Property Investment Fund	0.00	0.00	0.00	0.00	0.00
		Solar Powered Compactor Bins	0.00	1.00	0.00	0.00	0.00
		Other	9.31	0.27	0.85	0.00	0.00
	People in Southampton lead safe, healthy independent lives	Anti-Terror Measures	1.05	0.00	0.00	0.00	0.00
		Communal Facilities	2.05	1.14	0.26	1.43	0.00
		Disabled Facilities Grant	1.35	1.85	0.00	0.00	0.00
		Estate Regeneration	1.75	0.00	0.00	0.00	0.00
		Health & Adult Social Care	0.73	0.63	0.50	0.00	0.00
		Improving Quality of homes	6.28	9.32	10.09	12.00	15.77
		Making homes energy efficient	8.22	10.27	8.35	10.14	13.28
		Making homes safe	14.23	12.20	7.13	4.17	1.38
		Modern Facilities	2.10	0.00	0.00	0.00	0.00
		Safe Wind/Weather Tight	1.33	0.00	0.00	0.00	0.00
		Supporting Communities	0.47	2.22	2.22	2.25	2.28
		Supporting Individual living	0.49	2.01	2.12	2.12	1.60
		Warm & Energy Efficient	1.40	0.00	0.00	0.00	0.00
		Other	14.99	17.47	9.04	3.49	4.68

	Outcome	Major Project	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
	A modern attractive city where people are proud to live and work	Arts & Heritage	0.18	1.42	0.00	0.00	0.00
		Alternate Weekly Collections	0.12	0.00	0.00	0.00	0.00
		Millbrook Roundabout	7.45	0.00	0.00	0.00	0.00
		Minor Parks Development Works	0.58	0.07	0.00	0.00	0.00
		Outdoor Sports Centre Improvements	0.17	0.40	0.00	0.00	0.00
		Purchase of Vehicles	0.88	3.82	0.00	0.00	0.00
		QE2 Mile	0.00	0.96	0.00	0.00	0.00
		Roads Programme	14.76	6.47	0.00	0.00	0.00
		WWQ	0.17	0.34	0.00	0.00	0.00
		Other	2.60	0.76	0.00	0.00	0.00
	Modern sustainable Council	Digital & IT	5.29	0.28	0.00	0.00	0.00
		Resources	0.45	1.70	0.00	0.00	0.00
		Other	0.01	0.00	0.00	0.00	0.00
		TOTAL	124.57	104.95	70.99	47.56	57.62
9.	The capital strategy, attached as Appendix 4, provides further details of how the proposed capital spend supports the Outcomes and priorities of the Council.						
	PROGRAMME CHANGES						
	<u>Aspiration, Schools and Lifelong Learning Portfolio - £2.92M Increase</u>						
10.	<u>St. Denys School – Increase of £2.92M</u>						
	A grant of £2.92M for the St. Denys school has been awarded from The Education and Skills Funding Agency (ESFA) as part of the total cost of the scheme for the extension and refurbishment of the school. Approval is sought to add this to the programme and for approval to spend giving an overall scheme total of £3.95M, phased £1.51M 2018/19, £2.38M 2019/20 and £0.06M 2020/21.						
	<u>Clean Growth & Development - £0.51M Increase</u>						
11.	<u>Studio 144</u>						
	As reported in November 2018 to Cabinet as part of the Capital Programme monitoring report, additional spend of £3.03M is forecast on this scheme however, at this stage it is still subject to the resolution of claims in relation to the installation of lifts. Additional grant funding has been received of £1.6M for which approval is now sought to add this to the programme. This will reduce the forecast overspend to £1.43M which will be reported as part of the year end 2018/19 outturn position.						
	Approval is also sought to remove the Water Fountains Scheme of £0.09M where an alternative solution has been found and to remove the Hampshire						

	Community Bank Scheme of £1.00M as a banking licence has not been obtained and therefore the investment will not be made.
	<u>Community Wellbeing Portfolio - £0.69M Increase</u>
12.	<p><u>Warm Homes (Increase of £0.67M in 2019/20)</u></p> <p>A successful bid was made for funding from the Warm Homes Fund £0.46M to provide capital funding for the installation of affordable heating solutions in fuel poor households who do not use mains gas as their primary heating fuel. Additionally, the council will provide match funding from existing resources of £0.37M (£0.21M of S106 contributions and £0.16M identified funding within the approved Green Projects Scheme and CCTV Schemes within the Community Wellbeing Portfolio).</p> <p>Approval is sought to add the scheme to the Community Wellbeing Portfolio totalling £0.83M and to give approval to spend in 2019/20 funded by a scheme virement from the Green Projects and within this programme, S106 funding and from the Warm Homes Front Grant.</p> <p><u>CCTV (Increase of £0.02M in 2018/19)</u></p> <p>£0.02M has been added to the existing CCTV project within the Community Wellbeing portfolio for network enhancements to the CCTV camera infrastructure at East Park Terrace funded by S106 Contributions.</p>
	<u>Transport & Public Realm Portfolio - £15.21M Increase</u>
13.	<p><u>Integrated Transport (Increase of £0.33M in 2018/19)</u></p> <p>Additions to programme from site specific S106 contributions of £0.33M. These works will enhance existing schemes in the programme and enable the authority to fulfil the obligations specified in the S106 agreements. These will primarily be focused on cycling schemes and congestion reduction.</p> <p><u>Play Area Improvements (Increase of £0.15M in 2018/19)</u></p> <p>Works on various play areas around the city to improve equipment, surfacing and fencing funded from site specific S106 contributions.</p> <p><u>Minor Parks Development Works (Increase of £0.03M in 2018/19)</u></p> <p>Green Park which sits in the Millbrook Ward on new equipment, surfacing and fencing, where the equipment is old and damaged and requires replacement. The £0.03M is being funded from S106 Contributions.</p> <p><u>Car Parking (Increase of £0.46M in 2018/19)</u></p> <p>Payment card readers in car parking pay and display machines need to be updated in line with the latest industry standards. This will ensure customers will have a convenient payment option for parking and ensure that card transactions are better protected against potential fraud.</p> <p><u>Highways (Increase of £9.86M in 2018/19)</u></p> <p>There are a number of additions to the programme:</p> <p>Additional investment of £2.98M in the highways network to increase the road programme in 2018/19.</p> <ul style="list-style-type: none"> • This includes £0.51M of works funded by the Department for Transport Highways Maintenance Incentive Element grant on repairing a failing embankment on South East Road; improving

Chilworth Roundabout; and drainage improvement work in areas susceptible to flooding.

- An additional £0.20M will be invested in pothole repairs.
- The remaining £2.27M will fund essential works across the network on classified roads £0.96M, principal roads £0.61M, unclassified roads £0.48M, and £0.22M on Highways Network Delivery projects.

An additional £5.7M has been added to the programme in 2019/20 in respect of the Roads Programme. Approval is requested to add this to the programme and for approval to spend in 2019/20 to be funded from specific grants, contributions and S106 funding with the balance funded from borrowing.

It should be noted that this funding is in addition to the existing £8.00M investment in residential roads.

Red Lodge Depot Bin Storage (increase of £0.07M in 2019/20)

Refuse container storage is costing SCC £0.04M per annum. An opportunity has been identified to store bins at Red Lodge Depot. The approved capital investment would mean that the current storage costs could be saved.

Electric Vehicles (Increase of £0.82M in 2019/20)

The SCC fleet vehicles, with the exception of 16 vans, are all owned by the authority. Many of the vehicles fall well below Euro 6 emissions ratings and are polluting the air in the City. Capital funding of £0.82M has been agreed for the procurement of replacement electric vehicles within the fleet.

Refuse vehicles (Increase of £2.90M in 2019/20)

There are currently 17 Refuse Collection Vehicles (RCV's) that do not meet Euro 6 emission standards and are nearing or past the anticipated end of life. Approval was granted by Council at a meeting in November 2018 for the replacement of these refuse vehicles. These replacement vehicles will ensure that the council's heavy goods vehicles (HGV's) all comply with the latest emission standards and contribute to cleaner air in the city.

Alternative Weekly Collections (Decrease of £2.65M 2019/20)

A provision was made linked to alternatively weekly collections for the replacement of refuse collection vehicles. The subsequent request for funding noted above, also provided for the replacement of these vehicles. Therefore, approval is now sought to remove the £2.65M from the programme. Further approval will need to be sought to meet the future replacement vehicle requirement once known.

Compact Solar Bins (Increase of £1.00M in 2019/20)

The Business Planning exercise for the 2019/20 budget has identified an opportunity to invest in solar compactor bins, with a view to generate potential efficiencies through reduced collections and smarter ways of working. Approval was by Cabinet in October 2018 to proceed with this project.

Weston Shore Coastal Erosion Project (Increase £1.00M)

Weston Shore is the city's only publically accessible natural coastline. The combined footpath and cycle path is at significant risk of continued erosion

	<p>and collapse if there is no intervention now. It is proposed to construct a modular concrete retaining wall for the purpose of coastal erosion defence. Approval is sought to add this to the programme and for approval to spend £0.50M 2020/21 and £0.50M 2021/22. The scheme will be funded by a scheme virement from the Cycleway Improvement programme of £0.20M with the balance funded from CIL contributions.</p>
	<p><u>Housing Revenue Account (HRA) – Increase £36.69M</u></p>
14.	<p><u>Making Homes Safe £19.83M Increase</u></p> <p>An additional £11.58M of walkway structural works is required between 2019/20 and 2021/22 due to increased priority for safety compliance. Additional £8.1M of fire safety/sprinkler works are required also for safety compliance.</p> <p><u>Making Homes Energy Efficient – Increase £7.12M</u></p> <p>There has been a £11.00M reduction in year on year (2019/20 to 2021/22) in Making Homes Energy Efficient works in part due to funding requirements for the Making Homes Safe programme and Regeneration schemes. This is offset by an additional £13.30M additional works in 2022/23 to meet the requirements identified under this programme.</p> <p><u>Improving Quality of Homes Reduction £12.05M</u></p> <p>There has been a £29.00M reduction in year on year (2019/20 to 2021/22) Improving Quality of Homes works in part due to funding requirements for the Making Homes Safe programme and Regeneration schemes. This includes £24.80M of Kitchen & Bathroom Refurbishment works. The position is offset by an additional £13.30M additional works in 2022/23.</p> <p><u>Supporting Independent Living</u></p> <p>There has been a £0.50M increase in Supporting Independent Living across the years 2019/20 to 2021/22 to fund additional works required for Disabled Adaptations with a further year added to the programme of £1.60M in 2022/23.</p> <p><u>Supporting Communities £4.10M Increase</u></p> <p>There is also an additional works totalling £4.10M with £2.30M of works added in 2022/23.</p> <p><u>Estate Regeneration and New Build</u></p> <p>There is an additional £9.40M of works required at Townhill Park to develop the site further with the additional plots requiring design and build as well as decommissioning and demolition works.</p> <p>A sum of £3.30M has been added to the programme in 2022/23 to reflect the need for further new build schemes. Locations and build specifications along with property types are still to be determined.</p> <p>Council is asked to approve the above additions to the programme with approval to spend as detailed above. Additions are to be funded through a combination of Capital Receipts, the Major Repairs Allowance the direct revenue financing.</p>
	<p>SLIPPAGE AND REPHASING</p>

15.	The proposed programme identifies £20.52M of net slippage and rephasing from 2018/19 into future years as summarised in Table 4 below and detailed by scheme in Appendix 2. The reason for the major items of slippage and rephasing are detailed below:																				
	<p><u>Table 4 – Slippage & Rephasing</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">(Slippage)/ Rephasing £M</th> </tr> </thead> <tbody> <tr> <td>Adult Care</td> <td style="text-align: right;">(0.13)</td> </tr> <tr> <td>Aspiration, Schools & Lifelong Learning</td> <td style="text-align: right;">(9.15)</td> </tr> <tr> <td>Clean Growth & Development</td> <td style="text-align: right;">(1.17)</td> </tr> <tr> <td>Community Well Being</td> <td style="text-align: right;">(0.06)</td> </tr> <tr> <td>Homes & Culture</td> <td style="text-align: right;">(1.32)</td> </tr> <tr> <td>Transport & Public Realm</td> <td style="text-align: right;">(3.09)</td> </tr> <tr> <td>Total General Fund</td> <td style="text-align: right; border-top: 1px solid black;">(14.92)</td> </tr> <tr> <td>Total HRA</td> <td style="text-align: right; border-top: 1px solid black;">(5.60)</td> </tr> <tr> <td>Total Slippage/Rephasing</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">(20.52)</td> </tr> </tbody> </table>		(Slippage)/ Rephasing £M	Adult Care	(0.13)	Aspiration, Schools & Lifelong Learning	(9.15)	Clean Growth & Development	(1.17)	Community Well Being	(0.06)	Homes & Culture	(1.32)	Transport & Public Realm	(3.09)	Total General Fund	(14.92)	Total HRA	(5.60)	Total Slippage/Rephasing	(20.52)
	(Slippage)/ Rephasing £M																				
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	<u>Adult Care - £0.13M Slippage</u>																				
16.	<p><u>32B Kentish Road Capital Upgrade (Slippage of £0.03M from 2018/19 to 2019/20)</u></p> <p>The project has slipped due to a review of options and proposals around the 32 Kentish Road site involving all stakeholders in determining how outcomes can be best delivered. A Kentish Road “vision” working group has been set up to appraise all options and is engaging with the Capital Assets team with architectural costs to be incurred in 2019/20.</p> <p><u>Integrated Working (Slippage of £0.10M to 2019/20)</u></p> <p>This project has slipped due to a revised timeline in work commencing on the Client Case Management system (CCM) which is planned to replace the ‘Paris’ system from April 2020. The project is currently on hold whilst temporary resources are being transferred to that project with recommencing in early 2019.</p>																				
	<u>Aspiration, Schools and Lifelong Learning Portfolio £9.15M Slippage</u>																				
17.	<p><u>Primary Review Phase 2 - Valentine Primary School Westwood Block (Slippage of £1.02M from 2018/19 to 2019/20)</u></p> <p>Slippage of £1.02M from 2018/19 to 2019/20 due to the project being put on hold while a reassessment of need was completed. The expansion of this school is to be delivered via an Education and Skills Funding Agency (ESFA) rebuild of the Westwood block and a revised start date is now scheduled to commence in January 2019. A contractor has now been appointed and the delivery of the new classroom block to replace the Westwood Block and the project is due for completion in September 2019. Appointment of the contractor was delayed because Council and the Skills</p>																				

Funding Agency (SFA) needed to undertake further work to negotiate a common position on the buildings research energy efficiency model (BREEAM) standards for the scheme to meet the Councils requirement to achieve an “excellent” rating.

Springwell School - Main Expansion (Slippage of £3.83M from 2018/19 to 2019/20)

Phase 1 completion was delayed due to a number of works variations to meet special education needs (SEN) school requirements for noise and disturbance to pupils. The phase 2 planning application has been submitted and although there has been steady progress with the team of consultants on the design stage, the majority of work for Phase 2 is scheduled to take place in 2019/20. Slippage has also occurred following a decision taken to undertake a full OJEU procurement to secure best value for Phase 2 of the works which added several months to the scheme’s planned timetable but was necessary to ensure high quality and value for money.

R&M Programme for School (Slippage of £2.06M from 2018/19 to 2019/20)

Slippage of £2.06M from 2018/19 to 2019/20 due to difficulties in managing the volume and complexity of works required. A recent condition survey of the schools within the city highlighted a backlog of works and a prioritised list has been drawn up for the remainder of 2018/19 and 2019/20. Due to delays in obtaining statistical data surrounding school condition surveys, the basis for planned work has delayed progress on the scheme.

Early Years Expansion Programme (Slippage of £0.65M from 2018/19 to 2019/20)

A reassessment of the availability of providers prepared to offer an increased provision of thirty hours is required due to difficulties in identifying providers willing to extend their current hours. Works to support the extension of hours have delayed until these providers can be identified resulting in slippage into 2019/20.

Bitterne Park Autism Resource Base (Slippage of £0.16M from 2018/19 to 2019/20)

The programme has slippage of £0.16M from 2018/19 to 2019/20. The revised planned start date for on-site works is February 2019 and the delay is a result of design work elements which required further electrical and mechanical works to take place before the on-site works.

St George’s School (Slippage of £1.79M from 2018/19 to 2019/20)

This is a diocese scheme with the ESFA. The council is contributing to the scheme to replace, modernise and increase science classroom accommodation at the school. The ESFA are the Responsible Body and are the agency who are responsible for project management and delivery of the

	<p>scheme. The delay follows obtaining agreement over strategy decision making within the diocese which is undertaken independently from the council.</p> <p><u>Chamberlayne Refurbishment (Slippage of £0.54M from 2018/19 to 2019/20)</u></p> <p>A delay in decision making on the overall strategy for Secondary School expansion has delayed progress on this scheme which is currently out to tender. Proposals have been drawn up to RIBA Stage 1 for the refurbishment of the main teaching block at Chamberlayne College, which is now on target and due to complete in September 2020. Work has also now commenced on RIBA Stage 2. The viability of an extended scheme is also been considered as part of a wider Local Enterprise Partnership proposal to develop the Chamberlayne site bringing education, leisure, early years and other service together into a single hub.</p> <p><u>Regents Park Expansion (Rephase of £0.90M from 2019/20 to 2018/19)</u></p> <p>At Quarter 1, it was estimated the building work for this project would not begin until 2019/20 due to delays in both the decision making of the overall strategy for Secondary School expansion and outstanding elements of the design stage to be completed. However, those delays have now been rectified and the programme has been accelerated and re-phased back into 2018/19.</p>
	<p><u>Clean Growth and Development</u></p>
18.	<p><u>QE2 Mile – Bargate Square (Slippage of £0.96M from 2018/19 to 2019/20)</u></p> <p>The scheme is to fund works associated with the Bargate Square redevelopment project which will improve retail provision, increase residential buildings and enhance the public realm in the area around the Bargate. The redevelopment project has commenced but the works, which are primarily funded from the private sector, with the paving works partly funded by the council, will now be undertaken in 2019/20. A total of £0.96M will need to be slipped into 2019/20.</p> <p><u>Bitterne Public Services Hub (Slippage of £0.21M from 2018/19 to 2019/20)</u></p> <p>The project is currently at the Outline Business Case phase. This is likely to cost around £0.10M subject to tender. It is estimated that 75% of this work could be completed by the end of March subject to the use of framework agreements for procurement rather than an open tender process with the remaining work in 2019/20.</p>
19.	<p><u>Community Wellbeing – £0.05M Slippage</u></p>
	<p>There is a small amount of slippage on the Green Projects scheme of £0.06M which will be used to support the Warm Homes Front scheme.</p>
	<p><u>Homes and Culture £1.32M Slippage</u></p>

20.	<p><u>Tudor House Museum (Slippage of £0.06M from 2018/19 to 2019/20)</u></p> <p>An Archaeology report is required as part of the planning conditions attached to the original project to redevelop Tudor House. The Council has an obligation to write the report so the Archaeology team will be commissioned in 2019/20 to undertake the required work due to staff resourcing shortfall (£0.04M). An issue with water ingress has also been identified. Following an initial survey a more detailed assessment is required before work can begin to resolve the issue (£0.02M).</p> <p><u>Sea City Treasure Trove (Slippage of £0.65M from 2018/19 to 2019/20)</u></p> <p>The Scheme aims to move stored collections into the Pavilion space at the SeaCity Museum. This project has now been amalgamated into a wider project to redevelop the cultural offering at the Civic Centre. The whole scheme will be revisited as one to maximise the opportunity to take more strategic approach across collections and venues and tie into future developments in the cultural development of the City. Initial commitments and plans in March 2018 were initially rejected due to the need for a more specific direction for the project, this was confirmed with the Heritage Lottery Fund (HLF) in September 2018 when more ambitious plans were submitted with a more integrated approach for both the treasure trove and cultural hub.</p> <p><u>Ancient Scheduled Monuments (Slippage of £0.20M from 2018/19 to 2019/20)</u></p> <p>Following unsuccessful attempts to recruit a suitable project manager to deliver this project in 2018/19, alternative delivery methods are now being considered in order to prioritise spend and activities. A consultant will be engaged in order to escalate this project and deliver the works successfully, subject to procurement approval.</p> <p><u>Outdoor Sports Centre Improvements (Slippage of £0.40M from 2018/19 to 2019/20)</u></p> <p>Initial feasibility work was undertaken in 2017/18. This determined further surveys were required in order to fully assess the feasibility of the scheme. These additional surveys are currently being undertaken and are being part-funded by Sport England.</p>
	<p><u>Transport & Public Realm Portfolio Slippage 3.09M</u></p>
21.	<p><u>Highways (Slippage of £1.0M from 2018/19 to 2019/20)</u></p> <p>Some works on the additional roads programme will slip into 2019/20 as the required treatment can only be undertaken in warm weather. There is a further slippage on bridge maintenance as a result of delays from the transition for delivery of structural related works to the Highways Partnership.</p> <p><u>Integrated Transport (Slippage of £1.87M from 2018/19 to 2019/20)</u></p> <p>This is made up of slippage on Congestion Reduction schemes of £1.06M, Public Transport £0.35M, Cycling £0.28M, Improved Safety £0.08M and Sustainable Travel £0.09M.</p> <p>The Congestion Reduction slippage is primarily made up of £0.81M due to a delay on the Electric Vehicle Action Plan as a result of procurement issues and ongoing discussions to link the project into the Street lighting PFI. This means that the majority of the project is now scheduled to be delivered in</p>

	<p>early 2019/20. Other projects totalling slippage of £0.25M are due to a delay in a project around the General Hospital to ensure that emergency access provision is maintained until a suitable time in the new financial year and a project that has been delayed until a decision on the proposed clean air zone is resolved.</p> <p>The Public Transport slippage is made up of £0.35M on works on the Bus network due to issues with schemes needing to be carried out with adjoining works that will take place in 2019/20.</p> <p>The slippage on the Cycling programme is due to a delay in the City Centre Cycle Network project due to waiting for an adjoining development application on Threefields Lane to be determined and works on the Northern Cycle Route which will now be undertaken in 2019/20.</p> <p><u>Wildflower Mower (Slippage of £0.04M from 2018/19 to 2019/20)</u></p> <p>The procurement process for the wildflower mower is expected to commence in January 2019. The lead in time for procurement means that actual purchase will likely be in early 2019/20 and the budget will therefore require slippage.</p> <p><u>Play Sites and Minor Park Development projects (Slippage of £0.19M from 2018/19 to 2019/20)</u></p> <p>A review of actual and committed expenditure across all play sites and parks development has identified a number of projects not yet commenced. It is therefore likely that works will be carried out late in the current year or early in the new year. The slippage required is £0.18M.</p>
	<p><u>Housing Revenue Account - Slippage £5.60M</u></p>
22.	<p><u>Energy Company Obligations - Lydgate -External Wall Insulation- (Slippage of £0.90M from 2018/19 to 2019/20)</u></p> <p>At the start of the project a direct engagement was assumed with the contractor, however amended tender documents needed to be developed. The programme period was extended to ensure this activity was completed. However, due to the lengthy process, the delay has resulted in the need to slip £0.90M into 2019/20.</p> <p><u>Estate Regeneration- Potters Court- (Slippage of £3.70M from 2018/19 to 2019/20)</u></p> <p>Due to delays in contract formation, the works have started on site later than anticipated resulting in slippage of £3.70M. The project is however expected to remain within budget</p> <p><u>Energy Company Obligations - Thornhill Heating- (Slippage of £1.50M from 2018/19 to 2019/20)</u></p> <p>The original budget of £7.10M had been reduced to £1.60M, which reflects the correct scope of work at Thornhill and realignment of the scheme funding against other priorities in the Fire Safety programme and replacement heating at Milner Court. An immediate start on installation work was assumed without full development of design options and a full procurement. The programme period has therefore been extended to allow for the critical activities to be undertaken, which has resulted in a lengthy delay to deliver the project in 2018/19.</p>

	<p><u>Townhill Park Regeneration- Rephasing (£0.50M)</u></p> <p>This project has developed well on site and the contractor has progressed ahead of the original financial schedule as a result the properties will be delivered early. This has resulted in an accelerated spend in this financial year but not for the project as a whole. As the project has been accelerated, funding will be sought from the future years of this project to ensure project is delivered within the reported timescale.</p>																														
	<p>CAPITAL RESOURCES</p>																														
23.	<p>The resources which can be used to fund the capital programme are as follows:</p> <ul style="list-style-type: none"> • Council Resources – Borrowing; • Council Resources - Capital Receipts from the sale of HRA assets; • Council Resources - Capital Receipts from the sale of General Fund assets; • Contributions from third parties; • Central Government Grants and from other bodies ; and • Direct Revenue Financing. 																														
24.	<p>Capital receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Sustainability Portfolio.</p>																														
25.	<p>It should be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are non-ring fenced. However in 2018/19 those grants have been passported to these areas.</p>																														
26.	<p>Table 5 shows the current level of available resources.</p> <p><u>Table 5 – Available Capital Funding</u></p> <table border="1"> <thead> <tr> <th>Resource</th> <th>Balance B/Fwd £M</th> <th>Received to Date 2018/19 £M</th> <th>Allocated To Current Programme £M</th> <th>Available Funding £M</th> <th>Anticipated Receipts 2018/19 £M</th> </tr> </thead> <tbody> <tr> <td>Capital Receipts</td> <td>(11.28)</td> <td>(0.77)</td> <td>14.15</td> <td>2.10</td> <td>(5.88)</td> </tr> <tr> <td>CIL</td> <td>(9.43)</td> <td>(3.73)</td> <td>5.08</td> <td>(8.08)</td> <td>(0.50)</td> </tr> <tr> <td>S106</td> <td>(10.63)</td> <td>(0.83)</td> <td>9.48</td> <td>(1.98)</td> <td>(0.43)</td> </tr> <tr> <td></td> <td><u>(31.34)</u></td> <td><u>(5.33)</u></td> <td><u>28.71</u></td> <td><u>(7.96)</u></td> <td><u>(6.81)</u></td> </tr> </tbody> </table>	Resource	Balance B/Fwd £M	Received to Date 2018/19 £M	Allocated To Current Programme £M	Available Funding £M	Anticipated Receipts 2018/19 £M	Capital Receipts	(11.28)	(0.77)	14.15	2.10	(5.88)	CIL	(9.43)	(3.73)	5.08	(8.08)	(0.50)	S106	(10.63)	(0.83)	9.48	(1.98)	(0.43)		<u>(31.34)</u>	<u>(5.33)</u>	<u>28.71</u>	<u>(7.96)</u>	<u>(6.81)</u>
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27.	<p>The table shows that the largest resource currently available is Community Infrastructure Levy (CIL) funding. A review has been undertaken of all S106 and CIL monies to ensure that programmes of work are matched to the appropriate funding and to identify areas where business cases are required for new projects. This work will be ongoing as part of the monitoring process.</p>																														
28.	<p>Funding for the capital programme has previously been 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 economic climate has increased the Council's risk in this area.</p>																														

29.	Table 6 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year for the General Fund. There has been an increase of £0.04M since the last reported position due to updated valuations based on the current market conditions. It should be noted that both the previous and latest forecast positions have been adjusted to remove receipts for properties not yet on the market.																																																																																																																							
30.	<p>Table 6 – General Fund Capital Receipts Estimates</p> <table border="1" data-bbox="328 490 1422 719"> <thead> <tr> <th></th> <th>B/Fwd £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest Forecast</td> <td>11.28</td> <td>5.98</td> <td>0.67</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>17.93</td> </tr> <tr> <td>Previous Forecast</td> <td>11.28</td> <td>5.94</td> <td>0.67</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>17.89</td> </tr> <tr> <td>Variance</td> <td>0.00</td> <td>0.04</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>0.04</td> </tr> </tbody> </table>		B/Fwd £M	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M	Latest Forecast	11.28	5.98	0.67	0.00	0.00	0.00	17.93	Previous Forecast	11.28	5.94	0.67	0.00	0.00	0.00	17.89	Variance	0.00	0.04	0.00	0.00	0.00	0.00	0.04																																																																																							
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31.	<p>Tables 7 and 8 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2022/23. Appendix 3 provides details of each portfolios latest programme and the financing of that programme.</p> <p>Table 7 – Capital Expenditure by Programme</p> <table border="1" data-bbox="328 1025 1422 1615"> <thead> <tr> <th></th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Adult Care</td> <td>0.73</td> <td>0.63</td> <td>0.50</td> <td>0.00</td> <td>0.00</td> <td>1.86</td> </tr> <tr> <td>Aspiration, Schools & Lifelong learning</td> <td>12.92</td> <td>23.92</td> <td>28.27</td> <td>11.96</td> <td>18.63</td> <td>95.70</td> </tr> <tr> <td>Clean Growth & Development</td> <td>10.56</td> <td>1.81</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>12.37</td> </tr> <tr> <td>Community Wellbeing</td> <td>2.49</td> <td>1.94</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>4.43</td> </tr> <tr> <td>Finance & Customer Experience</td> <td>5.74</td> <td>1.98</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>7.72</td> </tr> <tr> <td>Homes and Culture</td> <td>0.60</td> <td>1.82</td> <td>0.00</td> <td>0.00</td> <td>0.00</td> <td>2.42</td> </tr> <tr> <td>Transport and Public Realm</td> <td>38.37</td> <td>18.22</td> <td>3.01</td> <td>0.00</td> <td>0.00</td> <td>59.61</td> </tr> <tr> <td>General Fund Programme</td> <td>71.41</td> <td>50.32</td> <td>31.78</td> <td>11.96</td> <td>18.63</td> <td>184.11</td> </tr> <tr> <td>HRA Programme</td> <td>53.16</td> <td>54.63</td> <td>39.21</td> <td>35.60</td> <td>38.99</td> <td>221.59</td> </tr> <tr> <td>Total Capital Programme</td> <td>124.57</td> <td>104.95</td> <td>70.99</td> <td>47.56</td> <td>57.62</td> <td>405.70</td> </tr> </tbody> </table> <p>Table 8 – Use of Resources</p> <table border="1" data-bbox="328 1742 1422 2036"> <thead> <tr> <th></th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>2020/21 £M</th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>*CR - GF Borrowing</td> <td>24.47</td> <td>16.50</td> <td>11.63</td> <td>11.96</td> <td>18.59</td> <td>83.15</td> </tr> <tr> <td>*CR - HRA Borrowing</td> <td>19.25</td> <td>10.33</td> <td>8.54</td> <td>3.61</td> <td>6.91</td> <td>48.64</td> </tr> <tr> <td>Capital Receipts</td> <td>18.43</td> <td>10.03</td> <td>2.86</td> <td>3.16</td> <td>2.42</td> <td>36.90</td> </tr> <tr> <td>Contributions</td> <td>12.95</td> <td>11.16</td> <td>7.23</td> <td>7.79</td> <td>8.13</td> <td>47.26</td> </tr> <tr> <td>Capital Grants</td> <td>24.66</td> <td>21.17</td> <td>19.30</td> <td>0.00</td> <td>0.04</td> <td>65.17</td> </tr> </tbody> </table>		2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M	Adult Care	0.73	0.63	0.50	0.00	0.00	1.86	Aspiration, Schools & Lifelong learning	12.92	23.92	28.27	11.96	18.63	95.70	Clean Growth & Development	10.56	1.81	0.00	0.00	0.00	12.37	Community Wellbeing	2.49	1.94	0.00	0.00	0.00	4.43	Finance & Customer Experience	5.74	1.98	0.00	0.00	0.00	7.72	Homes and Culture	0.60	1.82	0.00	0.00	0.00	2.42	Transport and Public Realm	38.37	18.22	3.01	0.00	0.00	59.61	General Fund Programme	71.41	50.32	31.78	11.96	18.63	184.11	HRA Programme	53.16	54.63	39.21	35.60	38.99	221.59	Total Capital Programme	124.57	104.95	70.99	47.56	57.62	405.70		2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	Total £M	*CR - GF Borrowing	24.47	16.50	11.63	11.96	18.59	83.15	*CR - HRA Borrowing	19.25	10.33	8.54	3.61	6.91	48.64	Capital Receipts	18.43	10.03	2.86	3.16	2.42	36.90	Contributions	12.95	11.16	7.23	7.79	8.13	47.26	Capital Grants	24.66	21.17	19.30	0.00	0.04	65.17
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	HRA – MRA	14.15	29.97	20.44	21.04	21.53	107.13
	Total Financing	124.57	104.95	70.99	47.56	57.62	405.70
	<i>*CR – Council Resources</i>						
32.	Table 8 demonstrates that the most significant amount of funding for the General fund programme is provided by Council Resources, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision. The HRA programme is primarily funding by MRA (Major Repairs Allowance).						
	CAPITAL STRATEGY						
33.	The Council needs to have a “fit for purpose” Capital Strategy to ensure that all the priorities within the Council Strategy are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for the period 2018/19 to 2022/23 and this is attached in Appendix 4.						
34.	As part of the December 2017 update of the Prudential Code for Capital Finance in Local Authorities a requirement to produce a capital strategy has been introduced. The guidance outlines a number of key factors which they recommend be included in a capital strategy. One of the key recommendations within the Prudential Code is that links should be made where appropriate to the treasury strategy, therefore the revised prudential indicators have been included as Appendix 5.						
35.	<p>Prudential Indicators are an indication that capital investment planning and that the Authority’s borrowing decisions are prudent and sustainable. In setting the indicators, the Authority will also take into account Minimum Revenue Provision (MRP) to set aside amounts for repayment of debt over the loan period or an equitable amount in line with Capital Regulations. HRA prudential indicators by statute are ring-fenced and are calculated separately. The prudential indicators have been set for the forthcoming four year period and comprise of three main components relating to:-</p> <ul style="list-style-type: none"> • Capital Expenditure – Estimates of capital Expenditure and capital Financing, Current and Estimated Movement in the capital financing requirement i.e. the Authority’s underlying need to borrow; • External Debt – Current and Estimated Movement in Gross debt. Authorised limits for borrowing set by the Authority and the Operational Boundary for total external debt (excluding investments) and separate identification for borrowing against debt and other long term liabilities. Other indicators outline the estimated movement in Borrowing Requirement and loans over the forthcoming five year period; and • Affordability – the Ratio of Financing costs to Net Revenue Stream – this indicates the revenue implications of capital expenditure required to meet borrowing costs. 						
RESOURCE IMPLICATIONS							
<u>Capital/Revenue</u>							

36.	This report principally deals with capital and the implications are set out in the main body of the report. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the General Fund revenue budget. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.
<u>Property/Other</u>	
37.	There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
38.	Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council. The Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.
<u>Other Legal Implications:</u>	
39.	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.
RISK MANAGEMENT IMPLICATIONS	
40.	None.
POLICY FRAMEWORK IMPLICATIONS	
41.	The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Variations Since the November 2018 Capital Update
2.	Major Slippage & Re-phasing
3.	General Fund & HRA Capital Programme – Scheme Details
4.	Capital Strategy 2018/19 – 2022/23
5.	Capital Strategy - Prudential Indicators
Documents In Members' Rooms	

1.	None
2.	
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out.	Yes/No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes/No
Other Background Documents	
Equality 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)
1.	
2.	