

<b>DECISION-MAKER:</b>	COUNCIL
<b>SUBJECT:</b>	GENERAL FUND CAPITAL OUTTURN 2010/11
<b>DATE OF DECISION:</b>	13 JULY 2011
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE PORTFOLIO
<b>STATEMENT OF CONFIDENTIALITY</b>	
NOT APPLICABLE	

### **BRIEF SUMMARY**

The purpose of this report is to outline the General Fund capital outturn position for 2010/11 and seek approval for the proposed financing of the expenditure in the year. This report also highlights the major variances against the approved estimates and sets out the revised estimates for 2011/12 which take account of slippage and re-phasing.

### **RECOMMENDATIONS:**

It is recommended that Council:

- (i) Notes the actual capital spending in 2010/11 as shown in paragraphs 4 and 5 and notes the major variances in Appendix 1.
- (ii) Approves the proposed capital financing in 2010/11 as shown in paragraph 10.
- (iii) Notes the revised estimates for 2011/12 as adjusted for slippage and re-phasing as shown in Appendix 3.
- (iv) Notes that the capital programme continues to run a deficit of £9.2M, (as reported in February) and that the over programming is within the previously approved tolerances.
- (v) Note that due to delays in the receipt of anticipated capital receipts an additional £2.7M had to be borrowed to fund the 2010/11 programme which is in line with delegated powers approved in September 2008.
- (vi) Note that there will be a potential need to undertake additional borrowing to fund the 2011/12 programme if the anticipated capital receipts are delayed further.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. The reporting of the outturn position for 2010/11 forms part of the approval of the statutory accounts.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. The outturn and financing for 2010/11 have been prepared in accordance with statutory accounting principles.

### **DETAIL (Including consultation carried out)**

#### **CONSULTATION**

3. Not applicable.

## **CAPITAL OUTTURN 2010/11**

4. Total General Fund capital expenditure in 2010/11 was £93.2M compared to an estimate of £104.6M, giving an under spend of £11.4M or 10.9% of the programme.
5. The Capital Board for each Portfolio will have received a report on the outturn position. The performance of individual capital programmes in 2010/11 is summarised in the following table.

### **SUMMARY OF GF CAPITAL OUTTURN 2010/11**

<b>Portfolio</b>	<b>Approved £000's</b>	<b>Actual £000's</b>	<b>Variance £000's</b>	<b>Variance %</b>
Adult Social Care & Health	926	858	(68)	(7.3)
Children's Services & Learning	29,823	25,565	(4,258)	(14.3)
Environment & Transport	22,078	17,851	(4,227)	(19.1)
Housing	4,821	4,357	(464)	(9.6)
Leader's	6,933	5,959	(974)	(14.0)
Leisure, Culture & Heritage	6,372	6,352	(20)	(0.3)
Local Services & Community Safety	1,499	901	(598)	(39.9)
Resources & Workforce Planning	32,170	31,363	(807)	(2.5)
<b>Total GF Capital Programme</b>	<b>104,622</b>	<b>93,206</b>	<b>(11,416)</b>	<b>(10.9)</b>

6. Reasons for major variances on individual schemes are given for each Portfolio in Appendix 1.
7. Appendix 2 shows the 2010/11 actual and 2010/11 approved estimate, together with the total spend for all years for each scheme, compared to the total scheme budget.
8. Slippage accounted for £13.2M of the under spend, partially offset by the re-phasing of some schemes to bring expenditure forward. As part of the revised processes surrounding Sharepoint, (the Council's project management system), slippage and re-phasing is automatically approved and processed at the year-end. The details of this are shown in Appendix 3. A small number of negative budgets on individual schemes resulted from this process and this will be corrected by the finance support teams; within the relevant Portfolio capital programme resources.
9. Any over spends on individual schemes are funded from identified additional funding or from savings elsewhere in the programme. Portfolios are required to balance their capital programmes within the resources available to them; this may result in reduced outputs where an over spend results in cuts being made elsewhere in the programme.

10. The table below shows the proposed basis of financing the General Fund capital programme. Council is asked to approve this financing.

**GENERAL FUND CAPITAL FINANCING 2010/11**

**£000's**

Total Financing Required	93,206
<b>Financed By: -</b>	
Supported Borrowing	6,840
Unsupported Borrowing	43,682
Capital Receipts	3,798
Capital Grants & Contributions	35,099
Car Parking Surplus	71
Direct Revenue Financing	3,716
<b>Total</b>	<b>93,206</b>

11. The impact of scheme variances for 2010/11 on future years' capital expenditure will be covered by the September update to the capital programme to be presented to Council on 14 September 2011.

**PRUDENTIAL INDICATORS**

12. The Prudential Code requires the Prudential Indicator for Actual Capital Expenditure to be reported against the estimates previously reported. The estimates shown below are those reported to Council as part of the February 2011 Annual Treasury Management Strategy and Prudential Limits report.

	Actual	Estimates			
	2010/11	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
General Fund	93,206	99,174	82,330	17,157	4,950
HRA	33,584	38,057	26,142	26,471	0
<b>Total</b>	<b>126,790</b>	<b>137,231</b>	<b>108,472</b>	<b>43,628</b>	<b>4,950</b>

13. The reason for the difference between the General Fund estimate for 2010/11 in the table above and the estimate shown elsewhere in this report is due to new schemes being approved between the Treasury Management Strategy report being written and the end of March.

14. This indicator for 2011/12 to 2013/14 will be updated as part of the Capital Programme Update report to Council in September 2011. The Treasury Management Outturn Report 2010/11, elsewhere on the agenda, contains details of the other Prudential Indicators.

### **CONTINUING IMPACT OF THE RECESSION**

15. The current economic climate has continued to have an impact on the Council's financial position during 2010/11, in particular a reduction in capital receipts from the sales of land and property which continue to be less than forecast.
16. 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.
17. 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, Leisure and Culture, to undertake additional borrowing in order to provide cover for any delays in the timing of capital receipts.
18. Due to delays in the receipt of anticipated capital receipts an additional £2.7M had to be borrowed to fund the 2010/11 programme and there will be a potential need to undertake additional borrowing to fund the 2011/12 programme if the anticipated capital receipts are delayed further. The additional revenue costs associated with undertaking prudential borrowing will have to be built into future budget forecasts.
19. Following the update of the capital programme in February the position reported to Council and approved was a deficit of £9.2M due, largely to the loss of capital receipts. This was compared to a £10.5M deficit reported in September 2010. The deficit represented 4.2% of the overall capital programme which was within the limit of 5% set in the Medium Term Financial Strategy and approved on the 13 May 2009.
20. Given the deficit 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.
21. At this stage rather than make large scale changes to the existing programme for what it is hoped is a medium term problem, it is recommended that the Council 'over programme' on the basis that in future years the position will recover.

### **RESOURCE IMPLICATIONS**

#### **Capital/Revenue**

22. 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.

**Property/Other**

23. None.

**LEGAL IMPLICATIONS**

**Statutory Power to undertake the proposals in the report:**

24. The Capital Outturn Report is prepared in accordance with the Local Government Acts 1972 – 2003.

**Other Legal Implications:**

25. None.

**POLICY FRAMEWORK IMPLICATIONS**

26. The outturn for 2009/10 forms part of the overall statutory accounts.

<b>AUTHOR:</b>	Name:	Alison Chard	Tel:	023 8083 4897
	E-mail:	Alison.Chard@southampton.gov.uk		

**KEY DECISION?** Yes/No

<b>WARDS/COMMUNITIES AFFECTED:</b>	None
------------------------------------	------

**SUPPORTING DOCUMENTATION**

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

**Appendices**

1.	Capital Outturn 2010/11 – Details of Significant Variances
2.	Actual v Budget 2010/11 at Individual Scheme Level
3.	2010/11 Slippage/Re-phasing

**Documents In Members’ Rooms**

1.	
----	--

**Integrated Impact Assessment**

Do the implications/subject/recommendations in the report require an Integrated Impact Assessment to be carried out?	No
--	----

**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)
------------------------------	--

1.		
----	--	--