

Public Document Pack

COUNCIL MEETING

Wednesday, 15 July, 2015

To follow the Extraordinary
Council meeting at 2.00pm

Council Chamber - Civic Centre

This meeting is open to the public

Members of the Council

The Mayor – Chair

The Sheriff – Vice-chair

Leader of the Council

Members of the Council (See overleaf)

Contacts

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WARD	COUNCILLOR	WARD	COUNCILLOR
Bargate	Bogle Noon Tucker	Millbrook	Denness Furnell Galton
Bassett	Hannides B Harris L Harris	Peartree	Houghton Keogh Lewzey
Bevois	Barnes-Andrews Burke Rayment	Portswood	Norris Claisse O'Neill
Bitterne	Jordan Letts Lloyd	Redbridge	McEwing Pope Whitbread
Bitterne Park	Fuller Inglis White	Shirley	Chaloner Coombs Kaur
Coxford	Morrell Spicer Thomas	Sholing	Hecks Jeffery Wilkinson
Freemantle	Moulton Parnell Shields	Swaythling	Mintoff Painton Vassiliou
Harefield	Daunt Fitzhenry Smith	Woolston	Chamberlain Hammond Payne

PUBLIC INFORMATION

Role of the Council

The Council comprises all 48 Councillors. The Council normally meets six times a year including the annual meeting, at which the Mayor and the Council Leader are elected and committees and sub-committees are appointed, and the budget meeting, at which the Council Tax is set for the following year.

The Council approves the policy framework, which is a series of plans and strategies recommended by the Executive, which set out the key policies and programmes for the main services provided by the Council. It receives a summary report of decisions made by the Executive, and reports on specific issues raised by the Overview and Scrutiny Management Committee. The Council also considers questions and motions submitted by Council Members on matters for which the Council has a responsibility or which affect the City.

PUBLIC INVOLVEMENT

Questions:- People who live or work in the City may ask questions of the Mayor, Chairs of Committees and Members of the Executive. (See the Council's Constitution ref Part 4 Council Procedure Rules 10.8)

Petitions:- At a meeting of the Council any Member or member of the public may present a petition which is submitted in accordance with the Council's scheme for handling petitions. Petitions containing more than 1,500 signatures (qualifying) will be debated at a Council meeting. (See the Council's Constitution ref Part 4 Council Procedure Rules 10.1)

Representations:- At the discretion of the Mayor, members of the public may address the Council on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda.

Deputations:- A deputation of up to three people can apply to address the Council. A deputation may include the presentation of a petition. (See the Council's Constitution ref Part 4 Council Procedure Rules 10.7)

MEETING INFORMATION

Use of Social Media:- The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting

Mobile Telephones – Please switch your mobile telephones to silent whilst in the meeting.

Fire Procedure – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised by Council officers what action to take.

Southampton City Council's Priorities:

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

Access – Access is available for disabled people. Please contact the Council Administrator who will help to make any necessary arrangements

Smoking policy – The Council operates a no-smoking policy in all civic buildings

Proposed dates of meetings (Municipal year 2015/16)

2015	2016
15 July	10 February (Budget)
16 September	16 March
18 November	18 May (AGM)*

*Date subject to the election schedule

CONDUCT OF MEETING

FUNCTIONS OF THE COUNCIL

The functions of the Council are set out in Article 4 of Part 2 of the Constitution

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

RULES OF PROCEDURE

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 16.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship: Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
- (iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.
- (iv) Any beneficial interest in land which is within the area of Southampton.
- (v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.
- (vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.
- (vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:
 - a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
 - b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

- Any body to which they have been appointed or nominated by Southampton City Council
- Any public authority or body exercising functions of a public nature
- Any body directed to charitable purposes
- Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the “rationality” or “taking leave of your senses” principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, ‘live now, pay later’ and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

Head of Legal and Democratic Services
Richard Ivory
Civic Centre, Southampton, SO14 7LY

Tuesday, 7 July 2015

TO: ALL MEMBERS OF THE SOUTHAMPTON CITY COUNCIL

You are hereby summoned to attend a meeting of the COUNCIL to be held on WEDNESDAY, 15 JULY, 2015 in the COUNCIL CHAMBER CIVIC CENTRE to follow the Extraordinary Council meeting at 2:00pm when the following business is proposed to be transacted:-

1 APOLOGIES

To receive any apologies.

2 MINUTES (Pages 1 - 18)

To authorise the signing of the minutes of the Council Meeting and the Extraordinary Council Meeting held on 20 May, 2015, attached.

3 ANNOUNCEMENTS FROM THE MAYOR AND LEADER

Matters especially brought forward by the Mayor and the Leader.

4 DEPUTATIONS, PETITIONS AND PUBLIC QUESTIONS

To receive any requests for Deputations, Presentation of Petitions or Public Questions.

5 EXECUTIVE BUSINESS (Pages 19 - 24)

Report of the Leader of the Council, attached.

6 MOTIONS

(a) Councillor Payne to move:

This Council recognises that the Government's drive to extend right to buy to housing associations may leave those associations struggling to replace sold stock, impacting on their future budgets. As a consequence, affordable housing supply in Southampton may suffer with the loss of existing homes, and housing associations being less inclined to borrow more money to create new ones.

Council notes that this outcome makes it less likely that housing associations would be able to take on properties in the City created by estate regeneration projects, placing a greater onus on the Council being a direct housing provider itself.

On the subject of estate regeneration, Council pledges its support and thanks to members of the Townhill Park stakeholder group. It also pledges full backing for the newly formed stakeholder group in Millbrook chaired by Cllr Cathie McEwing and welcomes that residents and other local stakeholders will take a leading role in shaping the estate's future.

(b) Councillor Bogle to move:

This Council notes that Southampton benefits from a rich and varied history, and that there is a strong interest in heritage in the City, illustrated by the many groups and initiatives that already exist.

The Council seeks to build on these strengths to ensure Southampton makes the most of its heritage to the benefit of the local economy, civic pride and as a means of attracting visitors and investment.

The Council will work together with its partners to incorporate the promotion of Southampton's heritage into the following areas:

- Economic development
- Tourism and the visitor economy
- Boosting civic pride
- Events and cultural developments
- City branding

7 QUESTIONS FROM MEMBERS TO THE CHAIRS OF COMMITTEES OR THE MAYOR

To consider any question of which notice has been given under Council Procedure Rule 11.2.

8 APPOINTMENTS TO COMMITTEES, SUB-COMMITTEES AND OTHER BODIES

To deal with any appointments to Committees, Sub-Committees or other bodies as required.

9 GENERAL FUND REVENUE OUTTURN 2014/15 (Pages 25 - 52)

Report of the Cabinet Member for Finance seeking approval of the General Fund Revenue Outturn 2014/15, attached.

10 GENERAL FUND CAPITAL OUTTURN 2014/15 (Pages 53 - 78)

Report of the Cabinet Member for Finance seeking approval of the General Fund Capital Outturn 2014/15, attached.

11 REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2014/15 (Pages 79 - 114)

Report of the Chief Financial Officer concerning the treasury management activities for 2014/15, attached.

12 COLLECTION FUND OUTTURN 2014/15 (Pages 115 - 124)

Report of the Chief Financial Officer concerning the actual payments made to and from the collection fund during the 2014/15 financial year, attached.

13 HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2014/15
(Pages 125 - 150)

Report of the Cabinet Member for Housing and Sustainability detailing the level of spend on the Housing Revenue Account for the financial year 2014/15, attached.

14 NEW ARTS COMPLEX PROJECT (Pages 151 - 154)

Report of the Leader of the Council seeking additional funding to ensure the delivery of the project, attached.

NOTE: There will be prayers by Reverend Doctor Julian Davies in the Mayor's Reception Room at 1.45 pm for Members of the Council and Officers who wish to attend.



Richard Ivory
Head of Legal and Democratic Services

Agenda Item 2

To authorise the signing of the minutes of the Council Meeting and the Extraordinary Meetings held on 20th May 2015.

SOUTHAMPTON CITY COUNCIL

MINUTES OF THE EXTRAORDINARY COUNCIL MEETING HELD ON
20 MAY 2015

Present:

The Mayor, Councillor Norris
The Sheriff, Councillor McEwing
Councillors Barnes-Andrews, Bogle, Burke, Chaloner, Chamberlain, Claisse,
Coombs, Daunt, Denness, Fitzhenry, Fuller, Furnell, Galton, Hammond, Hannides,
B Harris, L Harris, Hecks, Houghton, Inglis, Jeffery, Jordan, Kaur, Keogh, Letts,
Lewzey, Lloyd, Mintoff, Moulton, Noon, O'Neill, Painton, Parnell, Payne, Rayment,
Shields, Smith, Spicer, Vassiliou, Whitbread, White and Wilkinson

1. APOLOGIES

Apologies for absence were submitted on behalf of Councillors Morrell, Pope, Thomas and Tucker.

2. HONORARY ALDERMAN

RESOLVED unanimously:

That in pursuance of the provisions of Section 249(1) of the Local Government Act 1972, the office of Honorary Alderman be conferred on former Councillor Peter Baillie in recognition of his eminent service to the City and his name be recorded in the Roll of Honorary Aldermen.

SOUTHAMPTON CITY COUNCIL

MINUTES OF THE COUNCIL MEETING HELD ON
20 MAY 2015

Present:

The Mayor, Councillor Norris
The Sheriff, Councillor McEwing
Councillors Barnes-Andrews, Bogle, Burke, Chaloner, Chamberlain, Claisse, Coombs, Daunt, Denness, Fitzhenry, Fuller, Furnell, Galton, Hammond, Hannides, B Harris, L Harris, Hecks, Houghton, Inglis, Jeffery, Jordan, Kaur, Keogh, Letts, Lewzey, Lloyd, Mintoff, Morrell (minute 10 onwards), Moulton, Noon, O'Neill, Painton, Parnell, Payne, Pope (minute 10 onwards), Rayment, Shields, Smith, Spicer, Thomas (minute 10 onwards), Tucker (minute 10 onwards), Vassiliou, Whitbread, White and Wilkinson

3. CITY OF SOUTHAMPTON AWARDS

FORMER COUNCILLOR MRS BLATCHFORD IN THE CHAIR

RESOLVED upon the motion of the Mayor (Former Councillor Mrs Blatchford) and seconded by the Sheriff (Councillor Norris), that the City of Southampton Award be presented to Geoff Wilkinson and Alex Downer.

4. ELECTION OF A MAYOR FOR THE ENSUING YEAR

RESOLVED upon the motion of Councillor Moulton, and seconded by Councillor Letts, that Councillor Norris be elected to the Office of 793rd Mayor of Southampton and Chair of the Council for the ensuing year.

The Mayor (Councillor Norris) then made and subscribed to the Declaration of Acceptance of Office.

THE MAYOR (COUNCILLOR NORRIS) IN THE CHAIR

5. MAYOR'S CHARITIES

The Mayor announced that she would be supporting the Saints Foundation, Rose Road Association and Southampton Air Cadets.

6. ELECTION OF A SHERIFF FOR THE ENSUING YEAR

RESOLVED upon the motion of Councillor Rayment and seconded by Councillor O'Neill, that Councillor McEwing be appointed the 578th Sheriff of the City of Southampton and Vice-Chair of the Council for the ensuing year.

The Sheriff (Councillor McEwing) then made and subscribed to the Declaration of Acceptance of Office.

7. VOTE OF THANKS TO RETIRING MAYOR

RESOLVED upon the motion of Councillor Rayment and seconded by Councillor Vasilliou, that the Council places on record its appreciation for the distinguished manner in which Former Councillor Mrs Blatchford had discharged the duties of the Mayor of the City during the period of her term of office.

8. SOUTHAMPTON BUSINESS SUCCESS

RESOLVED that the Southampton Business Success Award be presented to Elliott Brothers Limited.

9. FORMER COUNCILLORS

RESOLVED that former Councillors Peter Baillie, Mrs Blatchford, Asa Thorpe and Matthew Stevens be thanked for their service to the City during their period in office.

**AT THE RECONVENED MEETING OF THE SOUTHAMPTON CITY COUNCIL HELD
IN THE COUNCIL CHAMBER, CIVIC CENTRE ON 20th MAY, 2015**

10. APOLOGIES

It was noted that no apologies for absence had been received.

11. MINUTES

RESOLVED that the minutes of the Council Meeting held on the 18th March, 2015 be approved and signed as a correct record subject to it being noted that Councillor Pope had been present for items 83-88(d).

12. ANNOUNCEMENTS FROM THE MAYOR

(i) Welcome to New Members

The Mayor thanked all Members for their support in electing her as Mayor and welcomed to the meeting all those councillors who were attending their first meeting together with those who had successfully defended their seats.

(ii) Transformation Implementation Director

The Mayor welcomed Stephen Giacchino the Council's new Transformation Implementation Director, to his first meeting.

(iii) Retirement of Town Sergeant

The Mayor paid tribute to Paul Potterton who would shortly be retiring. The Mayor paid tribute to his long service as a Town Sergeant and as a chauffeur to the Mayor. On behalf of the Council, the Mayor wished him a long and happy retirement.

(iv) Training

The Mayor reminded Members of a number of training sessions that had been arranged and encouraged both new and existing Councillors to attend:

- 23 May and 6 June 9.00am – 12.00 Module A
1.00pm – 4.30pm Module B - Planning Training
- 2 June 5.30pm - Council Overview and Introduction
- 22 June 6.00pm Briefing on Children's Safeguarding
- 3 June 2.30pm - Licensing Training

(v) Social Media

For the benefit of new Members, the Mayor referred to the wi-fi that was available in the Council Chamber and that the use of mobile electronic devices could therefore be used in the Chamber and in Committee Meetings.

The Mayor urged Members to use their good sense and behave with courtesy, particularly in not tweeting messages which would otherwise be in breach of the Council's rules or the law. For example, tweeting material discussed in confidential session would be a serious breach.

The Mayor also informed Members that the fine for mobile phones ringing had been increased and the Mayor's charity would now request £25 be paid.

(vi) Précis Speeches and Courtesy in the Chamber

The Mayor reminded all Members of the need to précis speeches. This was necessary to ensure that where there were time limits everyone had an opportunity to participate without overrunning and would avoid speeches being repeated. She asked Members to use their judgement and either précis any new points or, save it for another time.

In referring to the need for meetings to run efficiently and effectively, the Mayor asked Members to keep in mind throughout the year the basic courtesies that needed to be adhered to both in timeliness in arriving at the meeting and listening carefully to the arguments.

The Mayor further requested that for the benefit of the public, Members remain in the seat allocated, or if they wished to move, they give notice of their intention prior to the next meeting so that the copies displayed in the public can be amended.

13. **ELECTION OF THE LEADER**

The nomination of Councillor Letts was moved and seconded.

UPON BEING PUT TO THE VOTE IT WAS:

RESOLVED that Councillor Letts be elected as Leader of the Council for the ensuing year.

Following his election as Leader, Councillor Letts informed the Council of his Cabinet and their Portfolio responsibilities.

Education and Children's Social Care – Councillor Jeffery

Health and Adult Social Care – Councillor Shields

Finance - Councillor Chaloner

Communities, Culture and Leisure – Councillor Kaur

Transformation - Councillor Hammond

Environment and Transport – Councillor Rayment

Deputy Leader and Housing and Sustainability – Councillor Payne

The Leader then circulated details of the contents of each of the Portfolios and announced that these would be incorporated into the scheme of Executive Delegation in the Constitution (copy appended to signed minutes).

14. ANNUAL REVIEW OF THE CONSTITUTION

The report of the Head of Legal and Democratic Services was submitted detailing the annual review of the Council's Constitution.

RESOLVED

- (i) that the changes to the Constitution and associated support arrangements as set out in the report be approved;
- (ii) that the Head of Legal and Democratic Services be authorised to finalise the arrangements as approved by Full Council and make any further consequential or minor changes arising from the decision of Full Council;
- (iii) that the City Council's Constitution, as amended, including the Officer Scheme of Delegation for the municipal year 2015/16 be approved;
- (iv) that the Head of Strategic HR be delegated the operational requirements to comply with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 as referred to in the revised Officer Employment Procedure Rules; and
- (v) that the Head of Legal and Democratic Services be delegated authority, following consultation with the Director, Place and Cabinet Member for Environment & Transport, to determine a revised local threshold for parking petitions and amend the Council Petition Scheme accordingly.

15. APPOINTMENTS TO COMMITTEES, SUB-COMMITTEES AND OTHER BODIES

RESOLVED that subject to certain decisions that may from time to time be made by the Council, the following Committees, Sub-Committees and other bodies be appointed with the allocation of seats to political groups shown therein and they be delegated authority to act within their Terms of Reference:

Political Group	Seats on Council	%
Labour	25	52.08
Conservative	20	41.67
Councillors Against Cuts	2	4.17
Independent	1	2.08

Committees	Labour	Conservative	Councillors Against Cuts	Number of Seats to Groups
Overview and Scrutiny Management(10)	Cllr Furnell Cllr Jordan Cllr Keogh Cllr McEwing 4	Cllr Fitzhenry Cllr Fuller Cllr Galton Cllr Hannides Cllr Moulton 5	Vacant	10
Planning and Rights of Way (East) (5)	Cllr Coombs Cllr Denness Cllr Tucker 3	Cllr Hecks Cllr Wilkinson 2	0	5
Planning and Rights of Way (West) (5)	Cllr Denness Cllr Lloyd Cllr Mintoff 3	Cllr Claisse Cllr L Harris 2	0	5
Employment and Appeals Panel (7)	Cllr Chamberlain Cllr McEwing Cllr Noon Cllr Whitbread 4	Cllr Claisse Cllr B Harris Cllr White 3	0	7
Chief Officer Employment Panel (6)	Cllr Letts Cllr Payne Cllr Rayment 3	Cllr Fitzhenry Cllr Hannides Cllr Moulton 3	0	6
Licensing Committee (10) (Min 10 – max 13)	Cllr Furnell Cllr Lloyd Cllr Spicer Cllr Tucker Cllr Whitbread 5	Cllr Galton Cllr Painton Cllr Parnell Cllr Vassiliou 4	Vacant	10

Governance Committee (7)	Cllr Barnes-Andrews Cllr Jordan Cllr Lewzey Cllr Noon 4	Cllr Daunt Cllr Inglis Cllr O'Neill 3	0	7
Sub-Committees	Labour	Conservative	Councillors Against Cuts	Number of Seats to Groups
Health Overview and Scrutiny Panel (7)	Cllr Bogle Cllr Furnell Cllr Noon Cllr Tucker 4	Cllr Houghton Cllr Parnell Cllr White 3	0	7
Scrutiny Panel (7)	4	3	0	7
Children's and Families Scrutiny Panel (7)	Cllr Keogh Cllr Lloyd Cllr McEwing Cllr Spicer 4	Cllr L Harris Cllr Painton Cllr O'Neill 3	0	7
Licensing General Sub-Committee (5) (Membership must come from membership of Licensing Committee)	Cllr Furnell Cllr Lloyd Cllr Tucker 3	Cllr Galton Cllr Parnell 2	0	5
Standards Sub-Committee (3)	Cllr Barnes-Andrews Cllr Jordan 2	Cllr Inglis 1	0	3
Standards Appeal Sub-Committee (3)	Cllr Lewzey Cllr Noon 2	Cllr O'Neill 1	0	3
TOTAL	45	35	2	82

2. Appointment to Committees/Sub-Committees and other bodies NOT subject to political proportionality and therefore not included in the above calculations.

Committee/Sub-Committee	Labour	Conservative	Councillors Against Cuts	Number of Seats to Groups
Licensing and Gambling Sub-Committee (3) (Any 3 Members drawn from the Licensing Committee membership on rotation basis)				3

Other bodies	Labour	Conservative	Councillors Against Cuts	Number of Seats to Groups
Hampshire Fire and Rescue Authority (3)	Cllr Mintoff Cllr Spicer 2	Cllr Fuller 1	0	3
South East Employers (3 + 3 Deputies)	Cllr Whitbread Deputy (Vacant)	Cllr B Harris Cllr Parnell Deputy	1 1 Deputy	3 + 3
Local Democracy Network for Councillors (2)	0	Cllr Parnell 1	1	2
Partnership for Urban South Hampshire – Overview and Scrutiny Committee (1)	0	Cllr Fitzhenry 1	0	1
Hampshire Police and Crime Panel (1) <i>(Overall proportionality is calculated across the County. This may require a change in appointment)</i>	Cllr Kaur 1	0	0	1

Health and Well-Being Board	<p>The decision as to who to appoint is an Executive Function. Council determined the membership of the Board as follows:</p> <ul style="list-style-type: none"> • 5 Elected Members of Southampton City Council • Statutory Director for Public Health • Statutory Director for Adult and Children’s Services(Director, People) • Representative of the Clinical Commissioning Group • Representative of Healthwatch • Representative of NHS Commissioning Board’s Wessex Area Team
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APPOINTMENT OF CHAIRS

RESOLVED that the following Chairs be elected for the 2015/16 municipal year and the Vice-Chairs be elected at their first meetings of the municipal year: -

<u>Committee</u>	<u>Chair</u>
Overview and Scrutiny Management	Councillor Fitzhenry
Planning and Rights of Way (East)	Councillor Denness
Planning and Rights of Way (West)	Councillor Denness
Employment and Appeals	Cllr McEwing
Chief Officer Employment Panel	Councillor Letts
Licensing Committee	Councillor Tucker
Governance Committee	Cllr Barnes-Andrews
Health Overview and Scrutiny Panel	Cllr Bogle
Scrutiny Panel	Appoint as and when needed
Licensing General Sub-Committee	Cllr Tucker
Standards Sub-Committee	Appoint as and when needed
Standards Appeal Sub-Committee	Appoint as and when needed
Children’s and Families Scrutiny Panel	Cllr Keogh

16. **CALENDAR OF MEETINGS**

The Council approved the following dates for meetings of the Council in the 2015/16 Municipal Year:

15 July 2015

16 September 2015

18 November 2015

10 February 2016 (Budget)

16 March 2016

18 May 2016 (Date subject to change, awaiting confirmation of election dates)

17. DEPUTATIONS, PETITIONS AND PUBLIC QUESTIONS

The Council received and noted a deputation from Linda Hayes concerning care of dementia sufferers in Southampton.

18. EXECUTIVE BUSINESS

The report of the Leader of the Council was submitted setting out the details of the business undertaken by the Executive.

The Leader and the Cabinet made statements and responded to Questions.

The following questions were then submitted in accordance with Council Procedure Rule 11.1

1. Clock Tower

Question from Councillor Parnell to Councillor Letts

Would the Leader refresh my memory as to when the scaffolding around the Clock Tower was erected ?

When is the work finishing?

Answer

Erection of the scaffolding to the Clock Tower commenced in July 2014.

The work is expected to be finished in July 2015, the precise date being dependent on the extent of stonework repairs required to the tower and the weather.

Background information

The work to repair the Clock Tower covers scaffolding to allow access, replacement of the copper roof damaged in storms, repairs to the clock faces, bell louvres and external stonework cladding to the tower. Repairs to the internal bell supports have also been carried out. The objective being to ensure that minimal repairs are required to the tower for the next 10 years. Since construction in the 1930's only limited work has been carried out.

The work is complicated due to restrictions on the loading bearing of the roof of the SeaCity museum which has restrictions on its load bearing, and this has required limited weight being added to the scaffolding, causing working only at the top levels.

The work has been delayed due to the extent of repairs required to the bell louvres, clock faces and stonework which could not be accurately determined before scaffold access was available.

The weather, particularly wind and rain, has also caused delays to the project.

2. Town Crier

Question from Councillor Parnell to Councillor Letts

What plans has the Executive in hand to appoint a new Town Crier?

Answer

I'm not aware that we have received any communication from the public regarding this matter so it does not appear that the service is missed by the City. The Town Crier is paid an annual honorarium so there would be a cost to appointing a new Crier in addition to the cost of the uniform. I will have a discussion with the Mayor and decide whether we feel that the cost involved warrants appointing a new Crier or whether we utilise the services of a Crier from a nearby town for the rare occasions when we require one, as we currently do.

3. Nutfield Social Services Centre

Question from Councillor Parnell to Councillor Letts

Would the Leader inform me of the arrangements that have been made to accommodate the approximate 50 service users that attend regularly, once the Centre is closed?

Answer

Members will recall that on 12th January 2015 Cabinet decided, following extensive consultation, to close six of the eight in-house day services. The situation with regard to closures remains unchanged; it has been made clear that there will be no closures until all service users' needs have been reviewed and where unmet eligible needs are identified, alternative arrangements made. Cabinet will receive a report on progress later in the summer.

The reviews are being carried out by a specialist team set up to complete the project. Good progress is being made with 49% of reviews now complete.

Nutfield, one of the centres identified for closure, supports 38 individuals. A range of alternative options exist for individuals who wish to attend services delivering the same style of activity as Nutfield. For instance the Green House Project, Mayfield's Nursery, Down to Earth Farm, Minstead training project and Steve Murphy's day services all have vacancies and are used by SCC to support individuals in a setting similar to Nutfield.

Members may wish to note that formal employee consultation, across all affected services, is on-going and no decisions on redundancies has or can be reached until the process described above is complete.

We remain open to the idea that social enterprises might establish themselves and this is something which we would be pleased to see develop. We anticipate

that as the take up of direct payments increases across the social care market place that this will help their development.

19. MOTIONS

(a) Funding Settlement

Councillor Keogh moved and Councillor Letts seconded:

“The Council calls upon the Executive to write to the new Conservative MP for Southampton Itchen to set out how he will work with the Council to achieve a fairer funding settlement for the residents of Southampton from Central Government.”

Amendment moved by Councillor Fuller and seconded by Councillor O’Neill:

On the second line after “Itchen” add “asking him”

On the second line after “achieve” delete “a fairer funding settlement for the residents of Southampton from Central Government.”

Replace with “the best outcomes for the residents of Southampton and resolves to work closely with him and our other local MPs for the benefit of the City. Furthermore the Council congratulates Councillor Smith on his election to Parliament as a Southampton MP and thanks him for his 15 years of service to this local authority and to the City.”

Amended Motion to read:

The Council calls upon the Executive to write to the new Conservative MP for Southampton Itchen asking him to set out how he will work with the Council to achieve the best outcomes for the residents of Southampton and resolves to work closely with him and our other local MPs for the benefit of the City. Furthermore the Council congratulates Councillor Smith on his election to Parliament as a Southampton MP and thanks him for his 15 years of service to this local authority and to the City.

UPON BEING PUT TO THE VOTE THE AMENDMENT WAS DECLARED LOST

UPON BEING PUT TO THE VOTE THE MOTION AS SUBMITTED WAS DECLARED CARRIED

RESOLVED that the motion be approved.

20. QUESTIONS FROM MEMBERS TO THE CHAIRS OF COMMITTEES OR THE MAYOR

It was noted that no questions to the Chairs of the Committees or the Mayor had been received.

21. HRA SCHEME APPROVAL 2015/16 TO 2019/20

The report of the Cabinet Member for Housing and Sustainability was submitted seeking approval of expenditure for Housing Revenue Account funded projects.

RESOLVED

(i) To approve in accordance with Financial Procedure Rules capital expenditure of £32,890,000 phased as follows:

- £2,806,000 in 2015/16
- £22,233,000 in 2016/17
- £3,720,000 in 2017/18
- £2,150,000 in 2018/19
- £1,981,000 in 2019/20

For which provision exists within the Warm and Energy Efficient, Well Maintained Communal Facilities, Safe, Wind and Weather tight and Modern Facilities sections of the HRA Capital Programme as detailed in the table below

Safe, Wind and Weather Tight	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	000s	000s	000s	000s	000s	000s
Roof Finish – Flat	0	642	1168	1000	0	2810
Structural Works	0	4398	0	0	0	4398
Total for Safe, Wind and Weather Tight	0	5040	1168	1000	0	7208
Modern Facilities						
Electrical Systems	2158	2811	0	0	0	4969
Housing Refurbishment Programme	0	7946	0	0	0	7946
Total for Modern Facilities	2158	10757	0	0	0	12915
Well Maintained Communal Facilities						
Decent Neighbourhoods Improvement	648	750	1102	0	0	2,500
Lift Refurbishments	0	700	1450	1150	1981	5281

Total for Well Maintained Communal Facilities	648	1450	2552	1150	1981	7781
Warm and Energy Efficient						
External Cladding	0	4986	0	0	0	4986
Total for Warm and Energy Efficient	0	4986	0	0	0	4986
TOTAL	2,806	22,233	3,720	2,150	1,981	32,890

22. SOUTHAMPTON CITY COUNCIL AND PARLIAMENTARY ELECTIONS 2015

The report of the Returning Officer detailing the results of the City Council and Parliamentary elections on 7 May 2015 was noted.

23. OVERVIEW AND SCRUTINY ANNUAL REPORT 2014/15

The report of the Chair of the Overview and Scrutiny Management Committee detailing the Overview and Scrutiny Management Committee Annual Report 2014/15 in accordance with the Council's Constitution was noted.

DECISION-MAKER:	COUNCIL		
SUBJECT:	EXECUTIVE BUSINESS		
DATE OF DECISION:	15 th JULY 2015		
REPORT OF:	LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Suki Sitaram	Tel: 023 8083 2060
	E-mail:	suki.sitaram@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			

BRIEF SUMMARY

This report outlines Executive Business conducted since the last report to Council on 20th May 2015.

RECOMMENDATIONS:

- (i) That the report be noted.

REASONS FOR REPORT RECOMMENDATIONS

1. This report is presented in accordance with Part 4 of the Council's Constitution.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Not applicable.

DETAIL (Including consultation carried out)

INTRODUCTION

3. This report highlights the contribution of different Portfolios towards the Council's priorities since the last Full Council meeting on 20th May 2015.
4. Further to a number of discussions at a political leadership level, Southampton City Council, alongside Hampshire County Council, Portsmouth City Council, IOW Council and the districts within the Hampshire boundary have written to Rt Hon Greg Clarke MP, Minister for Communities and Local Government, to commit to developing collaborative local governance to facilitate devolved powers and funds from central government. The aim is to improve outcomes for our residents and give the local area greater control over resources and decisions affecting our communities. Approval to develop models will be sought from Cabinet and Council over the summer.

JOBS FOR LOCAL PEOPLE

5. Southampton's adult learners were recognised for their outstanding achievements in skills and community learning at an awards ceremony held at the Art Gallery on Thursday 18th June 2015. At this event, over 50 adult learners received awards across 11 categories, including Outstanding

Learner, Outstanding Volunteer, Outstanding Tutor, Learning for Work and Learning in Functional Skills. The celebration was held as part of Southampton City Council's Skills and Community Learning programme, which supports a range of activities across the city to ensure that local people can gain skills and qualifications, take up new interests, improve their health and engage with their communities. The awards were organised jointly by the Council and the Workers Education Association (WEA), the UK's largest voluntary sector provider of adult education.

6. The latest Southampton Inward Investment magazine was published in June 2015 and showcases the vision for the city centre as it continues to undergo significant and ambitious transformation. The City Centre Master Plan was launched in 2012, and has given businesses and investors confidence that Southampton's ambition is matched by a clear vision and ability to deliver. With more than £1.6 billion committed investment in the city since its inception, we are on target to achieve the £3 billion investment we are seeking.
7. The latest magazine highlights progress on the 'Very Important Projects' (VIP) identified in the City Centre Master Plan which are improving the city for residents, businesses and visitors by creating a vibrant and energetic city centre.
8. The Council has partnered with Southampton City College and the Prince's Trust to deliver a construction based pre-employment training opportunity in the city, with the first event taking place on 6th July 2015. The programme provides construction health and safety, skills and employability training for 18-25 year olds from disadvantaged backgrounds who are seeking a career in construction.
9. The construction based pre-employment training will work closely with developers on the VIP (Very Important Projects) sites across the city, with those developers providing work placements for young people. This will enable them to gain practical 'on the job' skills and the opportunity to engage with prospective employers.
10. The steel structure for the Acorn Centre, Empress Road, was erected in June 2015 and the construction phase is on target for completion in October 2015. This project will deliver a new business start-up centre offering 29 light industrial units and was part funded (as approved at Cabinet on 16th July 2013) with £386,000 of Council grant assembled from the legacy of the SRB2 regeneration programme.

PREVENTION AND EARLY INTERVENTION

11. The Government has announced additional funding totalling £5M over 5 years to continue the successful, multi-agency Families Matter programme in Southampton. This second phase will be a five-year programme (April 2015/16 being year one), funded through a mix of up-front funding and 'payment by results'. The focus will be on teams pulling together to continue to deliver a successful programme, focusing on key outcomes for families, including working with the City Deal programme to help get people into work and training.
12. We have worked with the Southern Policy Centre to pilot a new approach in community engagement through a session held on 4th July 2015. The "deliberative consultation" session was attended by participants recruited through our newly established People's Panel. Their discussion was supported by a Panel of experts and participants considered questions relating to early intervention and prevention and how funding could be reshaped to invest more in this area.

PROTECTING VULNERABLE PEOPLE

13. The Care Act 2014 modernises and consolidates the law on adult care across England. Key changes include the introduction of national eligibility criteria, increase rights for carers, a right to independent advocacy and, from 2016, a cap on care costs faced by self-funders. We are continuing to work extensively across the Council to ensure compliance is achieved. On-going work will be carried out over coming months to make certain that the changes introduced are effectively embedded. We are achieving this through the review and updating of systems, policies and procedures, development of Southampton Information Directory (SID) and online Assessment and Eligibility checker, delegation of carers' support and assessment services to carers in Southampton, as well as staff training and development. In addition, as part of the work to implement the Care Act we will be reviewing charges for some adult social care services. We are finalising our plans around this and where appropriate, we will undertake public consultation.
14. The Government has proposed a reduction in Public Health budgets by £200M this year and we understand the local impact on our Public Health budget could be just over £1M. We are waiting for details to assess the impact locally.
15. The development of Integrated Crisis Response, Reablement, Rehabilitation and Hospital Discharge provision is a key element of the Southampton Better Care plan. The proposed model will bring together council and health services into a single integrated process that will work with people living in the community or who are ready for discharge from hospital, to stabilise them, promote recovery and maximise longer term independence. More detailed proposals will be coming to Cabinet in August; implementation would likely be phased and commence later in the year, dependent on the outcome of consultation.
16. During Child Safety Week (1st – 7th June 2015), the council joined up with the Local Children's Safeguarding Board, Hampshire Constabulary and Hampshire Fire and Rescue Service to host a series of roadshows aimed at

improving child safety in the city. These roadshows provided the Council and other agencies with the opportunity to talk to parents and carers about the simple measures that they could introduce to help reduce the likelihood of accident or injury to their children.

17. As part of the Council's ongoing drive to encourage more people to consider becoming foster carers, the fostering team hosted a series of events and information sessions during Fostering Fortnight (1st-14th June 2015). The sessions enabled prospective foster carers to speak to staff about what it takes to provide a foster home as well as talk to current carers about their experiences.

GOOD QUALITY AND AFFORDABLE HOUSING

18. On 16th June 2015 Cabinet approved the sale of the Council's land at the Fruit and Vegetable Market site, off Bernard Street and Queensway, to enable the redevelopment of the site for new homes and business premises. This site is one of the Council's 7 VIP projects (referred to earlier in the report) and is part of a £50M regeneration which will see 297 homes, a mix of affordable and private apartments, built over the next three years. The first phase of construction will commence Autumn 2015.

SERVICES FOR ALL

19. The Employment, Skills and Learning Partnership, Southampton Education Forum and Red Funnel, supported by the City Council's Strategy Unit, held an exciting event 'Imagine the Future' to engage young people about the future of the City. The event was held on the 30th June 2015 and saw over 200 children and teachers from a wide range of our city's schools and colleges participate in a series of workshops developed and designed by students. In addition, the children saw plans for Southampton's city-wide investment.
20. The outcomes from the workshops on Health and Wellbeing, City Pride, and Leadership will inform future Council and City strategies and plans. The children also gave their ideas for spending on improvement projects across the city and were awarded prizes for the best contributions.
21. The Council hosted an Upcycled Fashion Show as part of this year's national Recycling Week (22nd-28th June 2015). The show included garments that had been revamped or created from recycled fabric, to create new and unique outfits. The outfits were designed and created during a series of community sewing workshops during May, hosted by Transition Southampton.

CITY PRIDE

22. The Council's Events Team worked closely with the organisers to deliver the first successful Common People festival in the city. The two day music event was a huge success and attracted more than 35,000 people to the city, receiving positive reviews. I am delighted that the organisers have confirmed that they would like to return to Southampton next year.
23. It has continued to be a successful summer of events, attracting many residents and visitors to the city. The Events Team have worked with Hijack Cinema to facilitate a series of outdoor cinema events in Hoglands Park with the first event held on 19th June 2015. It was a popular event with all tickets sold out. This was followed by the hugely popular Thai Festival on 4th and 5th July 2015, featuring the very best of Thai food, culture, crafts and music. The Mela festival returned to Hoglands Park on 11th July bringing family fun for everyone with an assortment of musical styles from South Asia and around the world and exciting dance acts and family activities celebrating South Asian and world.

A SUSTAINABLE COUNCIL

24. PwC, our Strategic Transformation Partner are working with us to implement our New Operating Model by 2017. We will jointly explore and implement various change initiatives to address our financial situation and prepare us for the changing needs and expectations of our residents, customers, clients and communities.
25. Working together with PwC we will:
 - Prioritise our outcomes and align these to clear performance indicators
 - Clearly define how we manage demand across all our services, addressing current areas of overspend
 - Review all existing major contracts and commercial partnerships to assess our longer term needs
 - Reprioritise our resources to deliver projects that provide a clear return on investment and enable delivery of our outcomes.
26. CRUMBS (Co-ordinated Re-Use Makes Business Sense) brought together its business partners and volunteers to celebrate the success of this innovative project. It is funded by the European Regional Development Fund (ERDF) is contributing to the development of a more competitive and sustainable low-carbon economy in Southampton by offering supermarkets and businesses a sustainable and cost-effective alternative to landfill waste disposal. Staff and volunteers came together on 19 June 2015 to give the contributors the chance to look back over the successes of the project which seeks to reduce food wastage and food poverty. They also took this opportunity to introduce new businesses who wish to benefit from the redistribution of their quality foodstuff.

RESOURCE IMPLICATIONS

Capital/Revenue

27. N/A

Property/Other

28. N/A

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

29. As defined in the report appropriate to each decision.

Other Legal Implications:

POLICY FRAMEWORK IMPLICATIONS

30. City Council Strategy 2014 -17.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

	None
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Documents In Members' Rooms

	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	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)
None	

Agenda Item 9

DECISION-MAKER:	COUNCIL			
SUBJECT:	GENERAL FUND REVENUE OUTTURN 2014/15			
DATE OF DECISION:	15 JULY 2015			
REPORT OF:	CABINET MEMBER FOR FINANCE			
<u>CONTACT DETAILS</u>				
AUTHOR:	Name:	Mel Creighton	Tel:	023 8083 4897
	E-mail:	Melanie.Creighton@southampton.gov.uk		
CFO	Name:	Andrew Lowe	Tel:	023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

The purpose of this report is to summarise the overall General Fund revenue outturn for 2014/15. It compares actual spending against the revised budget approved at Council in February 2015 adjusted for approved changes made since that date.

The report also considers any requests for carry forwards and the allocation of funds for corporate purposes or other additional expenditure.

The overall position on the General Fund shows that Portfolios had a net under spend of £3.9M against the working budget. After taking into account the outturn on other spending items and approved movements from balances, there was an overall favourable variance of £13.9M for the year. However, it should be noted that this favourable variance includes the impact of a significant one off adjustment in the sum of £8.8M which relates to accounting amendments around the council's capital financing. The Council has utilised capital receipts to fund its Minimum Revenue Provision (MRP) in lieu of revenue resulting in a £6.2M underspend and has used capital receipts in lieu of revenue resources to fund capital expenditure.

From within the overall underspend of £13.9M, this report seeks to fund £0.3M of carry forwards. In addition, there have been transfers of £6.2M to the Medium Term Financial Risk Reserve, £2.0M to a Taxation Reserve.

The level of General Fund balances at 31 March 2015 is £19.9M which, after taking into account the commitments outlined in this report and other planned draws from General Fund balances, reduces to £12.8M over the medium term to 2018/19. The minimum level of General Fund balances as recommended by the CFO is £5.5M, which means that there are available reserves above the minimum of £7.3M.

RECOMMENDATIONS:

It is recommended that Council:

- i) Notes the final outturn for 2014/15 detailed in Appendix 1 is an under spend of £13.9M which after allocations to reserves provides a net contribution to general fund balances of £5.7M.
- ii) Notes that including the £5.7M above the level of General Fund balances at 31 March 2015 was £19.9M, reducing to £12.8M by

31 March 2016.

- iii) Notes the transfer of £6.2M to the Medium Term Financial Risk Reserve and £2.0M to the Taxation Reserve as detailed in paragraph 20 and is in line with the reserves prioritisation as detailed in the Medium Term Financial Strategy (MTFS) approved by Council in February 2015.
- iv) Notes the performance of individual Portfolios in managing their budgets as set out in paragraph 8 of this report and notes the major variances in Appendix 2.
- v) Approves the carry forward requests totalling £0.3M and as outlined in paragraph 15 and set out in Appendix 3 to be funded from reserves.
- vi) Notes the creation of a Revenue Grants Reserve as detailed in paragraph 16.

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn for 2014/15 forms part of the approval of the statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Reporting of outturn is undertaken in line with Local Government Accounting Practice. This is the only option appropriate.

DETAIL (Including consultation carried out)

CONSULTATION

3. Not applicable.

GENERAL FUND REVENUE BUDGET

4. The original budget as approved by Council in February 2014 was revised by Council in February 2015. Each Portfolio within the General Fund is responsible for monitoring net controllable spend against the working budget throughout the financial year.
5. Whilst there are significant numbers of under and over spends highlighted in this report (Appendix 2), many of these have already been reported to Cabinet and Scrutiny as part of the corporate financial monitoring process throughout the year. In general terms, Portfolios are required to manage their budgets "within allocated resources" and where potential problems have been identified, Directors have prepared and implemented action plans to bring spending back in line.
6. This report covers the outturn position for 2014/15 and analyses spending against the working budget, identifying where applicable, where any under spend has been requested to be carried forward into 2015/16.

OVERALL GENERAL FUND REVENUE POSITION

7. The overall year end position is an under spend of £13.9M, as summarised in Appendix 1 and in the table below:

	(Under) / Over Spend £M
Portfolio Total	(3.9)
Levies & Contributions	(0.2)
Capital Asset Management	(8.8)
Other Expenditure & Income	(1.0)
Net General Fund Spending	(13.9)
Allocation to Earmarked Reserves	8.2
Addition to General Fund Balances	(5.7)

8. As shown in the above table the Portfolio revenue outturn is an under spend of £3.9M and this is analysed in the table below:

Portfolio	(Under) / Over Spend	
	£M	%
Health & Adult Social Care	0.4	0.7
Children's Services	2.1	5.1
Communities	(0.3)	11.5
Environment & Transport	(0.4)	1.5
Housing & Sustainability	(0.1)	5.3
Leader's Portfolio	(0.7)	14.5
Resources & Leisure	(3.6)	7.1
Net Controllable Spend Total	(2.6)	1.4
Environment Trading Areas	0.1	
Risk Fund	(1.4)	
Portfolio Total	(3.9)	1.8

9. Potential pressures that arose during 2014/15 relating to volatile areas of expenditure and income have been managed through the Risk Fund. A sum of £3.1M was included in the revised budget to cover these pressures, to be released during the year if additional expenditure against the specific items was identified. The final draw on the Risk Fund totalled £1.7M, being £1.4M lower than estimated.
10. It should also be noted that although Health & Adult Social Care report a relatively small overspend of £0.4M this was after the allocation of one off monies that will not be available in future years. Without this additional funding the position would have been in the region of a £4.0M overspend. In addition, Children's Services reported a £2.1M overspend mainly linked to increased numbers of Looked After Children. These ongoing impact of these

pressures will need to be reviewed in 2015/16 and future years.

11. Details of corporate issues and significant variations in net controllable spending on Portfolios, including those which take into account amounts held in the Risk Fund for specific service areas, are given in Appendix 2.

NON-PORTFOLIO VARIANCES

12. Levies & Contributions (£0.2M Favourable)
Reduced charges from Hampshire County Council for the provision of the Coroner's Service, average cost per case in 2014/15 was £225 compared to £350 for 2013/14.
13. Capital Asset Management (£8.8M Favourable)
As set out in Appendix 4 of the Review of Prudential Limits and Treasury Management Outturn 2014/15 report, elsewhere on this agenda, there has been accounting amendments around the council's Minimum Revenue Provision (MRP). The Council has utilised capital receipts to fund its MRP in lieu of revenue resulting in a £6.2M underspend and has used capital receipts in lieu of revenue resources to fund capital expenditure £2.6M.
14. Other Expenditure & Income (£1.0M Favourable)
The main element of this favourable variance is unused contingency budget of £0.2M and a net favourable variance of £0.8M on non-specific government grants and Non Domestic Rates.

CARRY FORWARD REQUESTS AND OTHER NEW SPENDING

15. Carry forward requests totalling £0.3M have been put forward by Officers and details of the requests are given in Appendix 3. Council is asked to approve the carry forwards, the spend for which would then be incurred in 2015/16 and be funded from balances.
16. It should also be noted that a revenue grants reserve has been set up totally £1.3M for the carry forward of grants, the spend for which will be incurred in 2015/16 and funded from this reserve.

MEDIUM TERM POSITION ON RESERVES AND BALANCES

17. The table below shows the position for General Fund revenue balances after taking into account the commitments outlined above and other planned draws.

	2014/15	2015/16	2016/17	2017/18	Future Years
	£M	£M	£M	£M	£M
Opening Balance	53.4	19.9	12.8	12.8	12.8
(Draw to Support)/ Contribution from Revenue	5.7	(7.1)	0	0	0
(Draw to Support	(0.1)	0	0	0	0

Capital)					
Contributions (to) / from Other Reserves	(37.0)	0	0	0	0
Draw for Strategic Schemes	(2.1)	0	0	0	0
Closing Balance	19.9	12.8	12.8	12.8	12.8

18. The General Fund balance stands at £19.9M at 31 March 2015 reducing to £12.8M by 31 March 2016 after a draw of £7.1M in 2015/16 in line with the budget strategy. The uncommitted value of balances totals £12.5M which is £7.0M above the minimum level of £5.5M recommended by the Chief Financial Officer following a risk assessment of the required level to be maintained. Given the Council's medium term financial position, the availability of balances above the minimum level does provide the Council with some flexibility, albeit limited, to be able to use those reserves to contribute to the management of the overall financial position through until 2018/19.
19. A full review of reserves and balances was undertaken as part of closing the 2014/15 accounts. The General Fund balance has reduced significantly in 2014/15 as provision for commitments, previously held within general fund balances, have now been allocated to earmarked reserves. Earmarked Reserves now total £62.8M this includes £10.9M of Schools Balances.
20. It should be noted that new reserves have been created, namely a Medium Term Financial Risk Reserve and Taxation Reserve, to assist the Council in meeting the risks that have been identified within the Council's Medium Term Financial Strategy and as per the Reserves Prioritisation Scheme set out in Appendix 10 of the Revenue Budget Report approved by Council in February 2015.

RESOURCE IMPLICATIONS

Capital/Revenue

21. As set out in the report details.

Property/Other

22. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

23. The Council's accounts must be approved by Council in accordance with the Accounts and Audit Regulations 2011.

Other Legal Implications:

24. None.

POLICY FRAMEWORK IMPLICATIONS

25. The proposals contained in the report are in accordance with the Council's Policy Framework Plan.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Revenue Outturn 2014/15
2.	Main Variances on Controllable Portfolio Spending
3.	Carry Forward Requests

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	Yes/No
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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.	GENERAL FUND REVENUE BUDGET 2015/16 2017/18 – Council 11 February 2015	

Agenda Item 9

Appendix 1

Revised Budget		Working Budget	Final Outturn	(Under) / Over Spend
£M		£M	£M	£M
63.9	Adult Services	64.6	65.0	0.4
39.7	Children's Services	40.6	42.6	2.1
2.5	Communities	2.5	2.2	(0.3)
26.2	Environment & Transport	26.3	25.9	(0.4)
1.7	Housing & Sustainability	1.9	1.8	(0.1)
4.7	Leader's Portfolio	4.9	4.2	(0.7)
48.8	Resources & Leisure	50.6	47.0	(3.6)
187.6	Sub-total (Net Controllable Spend) for Portfolios	191.3	188.7	(2.6)
22.0	Non-Controllable Portfolio Costs	22.0	22.0	(0.0)
0.0	Environment Trading Areas	0.0	0.0	0.0
3.1	Risk Fund	1.4	0.0	(1.4)
212.7	Portfolio Total	214.7	210.8	(3.9)
	Levies & Contributions			
0.0	Southern Seas Fisheries Levy	0.0	0.0	(0.0)
0.0	Flood Defence Levy	0.0	0.0	(0.0)
0.6	Coroners Service	0.6	0.4	(0.2)
0.6		0.6	0.4	(0.2)
	Capital Asset Management			
12.0	Capital Financing Charges	12.0	3.2	(8.8)
(24.5)	Capital Asset Management Account	(24.5)	(24.6)	(0.0)
(12.5)		(12.5)	(21.3)	(8.8)
	Other Expenditure & Income			
0.1	Direct Revenue Financing of capital	0.1	0.2	0.1
(0.8)	Net Housing Benefit Payments	(0.8)	(0.7)	0.0
3.0	Contribution to Transformation Fund	0.0	0.0	0.0
(70.7)	Non-Specific Government Grants	(70.7)	(71.8)	(1.1)
(40.5)	Business Rates	(40.5)	(40.2)	0.2
0.0	Other Expenditure & Income	0.0	0.0	0.0
(1.8)	Collection Fund Surplus	(1.8)	(1.8)	0.0
0.4	Open Space and HRA	0.4	0.4	0.0
0.2	Contingencies	0.2	0.0	(0.2)
(109.9)		(112.9)	(113.9)	(0.9)
90.9	NET GF SPENDING	89.9	76.0	(13.9)
	Draw from Balances:			
(17.4)	(Draw from) / Addition to Balances (General)	(16.4)	(10.5)	5.7
0.0	Contributions to Reserves in Year	0.0	8.2	8.2
(17.4)		(16.4)	(2.5)	13.9
73.5	Council Tax Requirement	73.5	73.5	(0.0)

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MAIN VARIANCES ON CONTROLLABLE PORTFOLIO SPENDING

HEALTH & ADULT SOCIAL CARE PORTFOLIO

KEY ISSUES - OUTTURN

The Portfolio has over spent by **£0.45M** at year-end, which represents a percentage variance against budget of **0.7%**. This position takes into account allocations that have been made from the Risk Fund, as shown below:

	£M	%
Portfolio Outturn Pre Risk Fund	1.10 A	1.7
Allocation from Risk Fund	0.65 F	1.0
Grant Carry Forwards	-	
Final Portfolio Outturn	0.45 A	0.7
Carry Forward Requests	-	

The **SIGNIFICANT** issues for the Portfolio are:

H&ASC 1 – Long Term (adverse variance £2.59M)

The volume of care provision that caused an over spend in 2013/14 for this service activity has continued into 2014/15. In addition there was slippage in the achievement of savings agreed in February 2014 for reductions in volume of care. To mitigate this pressure a recovery plan has been implemented to achieve these savings for 2015/16 and identified compensating savings from within the portfolio for 2014/15.

For Older Persons and Physical Disabilities there were overspends of:

- £2.02M on Domiciliary,
- £1.12M on Nursing
- £0.43M on Residential.

These are partially offset by an under spend on Direct Payments of £0.12M and Day Care of £0.03M.

Additional costs due to an increase in demand and complex cases during the winter period and avoiding delays in care transfer have been offset by the Winter Resilience Grant of £0.21M and the Delay in Transfer of Care Grant of £0.26M. The over spend has been partially offset by an allocation of £0.65M from the Risk Fund. All of these adjustments have been included within the overspend figures above.

Learning Disability services were overspent by:

- £0.73M on Residential and Nursing
- £0.03M on Direct Payments

This is partially offset by an under spend on Transitional clients of £0.46M and Domiciliary Care of £0.08M.

A number of savings initiatives were agreed for 2014/15 to reduce the volume of care provided, subsequently the budget was reduced. However there was significant slippage in the achievement of these savings. The specific savings not achieved in 2014/15 totalled £2.09M, this figure is already included within the detailed breakdown of over spends shown above.

A favourable variance was achieved on a non-recurring contingency of £1.10M to fund additional costs expected from S117 mental health clients transferring to the City Council from the Clinical Commissioning Group (CCG) as this was not required in year. These clients have transferred and the costs have been managed within the recurring budget envelope.

Whilst a voluntary suspension has now been removed from a block provider of nursing care there was still a delay placing clients. It is anticipated that the associated financial recompense for non-provision of service will be £0.15M. This anticipated refund has been deducted from the Older Persons' residential costs above.

There were several posts within the Long Term and Review teams that were being covered by locums either due to vacancy or maternity cover, this has led to an over spend of £0.03M.

H&ASC 2 – Adult Services Management (favourable variance £0.82M)

Savings resulted from vacant posts and from slipping work to develop the service.

There were 24 full time equivalent vacant posts within business support as a result of holding posts vacant during the business support review, creating an under spend of £0.27M. This was offset by a £0.25M pressure due to the recruitment of Locum Service Managers to cover vacant posts and costs associated with compromise agreements made in the year.

The outcomes for which non ring-fenced grants have been awarded have been fully achieved without the need for commensurate additional spend. This has led to a £0.11M favourable variance.

H&ASC 3 – ICU Provider Relationships (favourable variance £0.44M)

Contract and staff vacancies has resulted in an overall saving.

Savings of £0.30M have been achieved through renegotiation of contract prices within the Supporting People programme in advance of the budgeted saving for 2015/16. There has also been an under spend of £0.05M on various Voluntary contracts due to negotiated reduced costs and lower than anticipated levels of inflation awarded. The service have also held posts vacant in excess of the vacancy management target generating a favourable variance of £0.13M. During the year the Domestic Violence contract was re-let and the new contract was closer aligned to Public Health priorities. In turn Public Health has partially funded the new service which has given rise to a favourable variance of £0.10M.

Offsetting these favourable variances is an over spend on the Joint Equipment Store of £0.20M due to increased volumes of equipment being delivered. This pressure represents SCC's 50% share of the overall pressure, the residual amount was funded by the CCG as per the terms of the Pooled Fund arrangement.

H&ASC 4 – ICU System Redesign (favourable variance £0.80M)

Contract reviews and re-tenders have resulted in an under spend. In addition a non-recurrent budget for the costs associated with implementing changes to the care provision Learning Disability clients with complex needs is not required.

The tendering of a new Drugs and Alcohol Misuse contract during 2014/15 has resulted in a one off saving in year of £0.24M. The under spend is largely due to the transition between contractual arrangements and the bedding in of the new service. Additionally there has been a recurring saving achieved of £0.04M through pulling together the various Carers contracts into one agreement with one provider.

A provision of £0.50M has been held during 2014/15 for the costs associated with making changes to the provision of care for clients with Complex Housing needs. This project has not got underway during 2014/15. It is now envisaged that the costs will be significantly less than £0.50M and that this can be met from within the existing Portfolio budget allocation for 2015/16.

H&ASC 5 – Reablement (adverse variance £0.11M)

Increase in the use of Locum's to cover maternity and sick leave within the Hospital Discharge team.

The over spend is due to the use of Locum's covering vacant posts and posts that are subject to requiring maternity cover within the Hospital Discharge team. The cost of a Locum is currently 30% greater than the cost of a Council Social Worker. The additional increase in activity within the Reablement team has been partially funded by a proportion of the Delayed Transfer of Care grant £0.07M.

Furthermore, non-recurrent savings of £0.50M were achieved from the cessation of one off projects and budgets earmarked for the development of the service. These sums were held specifically to assist in offsetting the Portfolio overspend. In addition there was an under spend on Learning and Development of £0.10M.

H&ASC 6 – Provider Services (adverse variance £0.13M)

Staffing vacancies and additional income has resulted in an over spend.

The internal day service provision underspent by £0.17M. This was in part due to staff vacancies in year. In addition further funding has been received for Learning Disability Support Worker contributions to various clients Community Care packages. A pressure of £0.05M has arisen in year due to an arrangement with Hampshire County Council for the provision of an out of hours' service. This contract has not been funded, the requisite funding will need to be identified during 2015/16.

The internal provision for Learning Disability respite care at Kentish Road has over spent by £0.15M. This is largely due to additional use of casual and agency staff over the establishment budget, (£0.16M). Furthermore there has been an increase in overtime of £0.03M due to the requirement to cover shifts while posts remain vacant.

Residential homes had an adverse outturn position of £0.15M. Staffing levels within the Residential Units are required to meet CQC regulations, staff absence due to sickness and maternity needed to be covered which has meant increased agency and casual staff costs.

H&ASC 7 – ICU Director & Management (adverse variance £0.13M)

Additional agency cover and permanent staff costs has resulted in an over spend.

There has been a salary overspend of £0.07M to fund an additional Commissioner post above establishment and as well as additional temporary employee staff costs of £0.03M to cover vacant business support posts. This over spend has been funded from employee savings elsewhere within the Integrated Commissioning Unit.

H&ASC 8 - Public Health (variance £0M)

An allocation of £0.22M has been set aside within the Public Health Reserve for use in 2015/16.

Summary of Risk Fund Items allocated to the Portfolio budget

Service Activity	£M
Adult Disability	0.40
Continuing Care	0.25
Risk Fund Items	0.65

CHILDREN'S SERVICES PORTFOLIO

KEY ISSUES - OUTTURN

The Portfolio has over spent by **£2.06M** at year-end, which represents a percentage variance against budget of **5.1%**. This position takes into account allocations that have been made from the Risk Fund, as shown below:

	£M	%
Portfolio Outturn pre Risk Fund	1.72 A	4.2
Allocation from Risk Fund	0.83 F	2.0

Grant Carry Forwards	1.17 A	2.9
Final Portfolio Outturn	2.06 A	5.1
Carry Forward Requests	-	

The **SIGNIFICANT** issues for the Portfolio are:

CS1 – Looked After Children and Resources (adverse variance £2.98M)

This budget funds the cost of children that have to be taken into care. The number of children in care increased during the year. In particular, there was an increase in the number of fostering and residential placements with external providers, and a reduction in fostering placements with SCC foster carers from budgeted levels.

The increasing number of children requiring specialist support packages led to an over spend of £0.56M on residential placements. These placements can cost up to £785 per day, and, therefore, a small increase in the number of children requiring such intensive support can have a significant impact on the financial position. Placements are only used therefore, as a last resort measure, and as such are difficult to predict with any certainty.

The overspend of £1.75M on fostering has arisen as a result of using more placements from Independent Fostering Agencies (IFA's), and less from SCC foster carers than originally anticipated. IFA placements tend to cost between 2 and 3 times as much as an SCC foster placement. The need to use additional IFA placements is as a result of a need to ensure SCC foster carers meet regulations and the complex needs of individual children.

During February and March, 14 children were placed for adoption through a specialist agency placement. This contributed to an over spend on adoption of £0.45M. As a result, the children's former foster placements have ceased. However, this has not led to a significant net reduction in the overall number of fostering placements as shown in the table below.

An increase in the number and average cost of staying put placements for young people over 18 contributed to an overspend of £0.50M on permanent care and care leaving services. This overspend is after the Staying Put Implementation Grant income has been applied.

An under spend of £0.27M on the Integrated Family Assessment and Intervention Service was due to staff vacancies across the service including the Behaviour Resource Service and a reduction in the number of purchased assessments.

The over spend identified above is offset in part by £0.30M of Dedicated Schools Grant that has been held all year to fund the additional cost of education in respect of residential placements. This £0.30M is included within the favourable variance shown below with Education and Early Years.

The table outlines the changes in activity levels for 2014/15:

Service	Daily Rate Range	Children Numbers			
		Budget	Jan	Feb	Mar
		Plus Risk			
		Fund Provision			
Fostering up to 18	£22 - £90	321	300	299	303
Independent Fostering Agencies (IFA)	£85 - £275	98	154	151	152
IFA Parent and Baby Placements	£176 - £324	3	11	8	4
Inter Agency Fostering Placements	£58 - £126	3	0	0	0
Supported Placements or Rent	£9 - £54	1	6	6	6
Residential - Independent Sector	£257 - £785	9	10	11	12
Civil Secure Accommodation	£720 - £820	1	0	0	0
Sub-total: Children in Care		436	481	475	477
Residential (Not Looked After)	£108 - £333	3	3	3	3
Supported Placements or Rent (Not Looked After)	£9 - £54	5	1	1	1
Over 18's	£11 - £236	21	42	42	42
Adoption Allowances	£3 - £38	102	87	87	87
Special Guardianship Allowances	£2 - £44	115	100	100	100
Residence Order Allowances	£7 - £22	13	15	15	15
Total		695	729	723	725

Figures for CIC exclude disability placements, UASC's and children placed at nil cost (e.g., with parents)

The outturn position now reflects a budget allocation of £0.43M from the Risk Fund which has reduced the over spend on Looked after Children and Resources.

CS2 – Education and Early Years (favourable variance £1.53M)

The under spend on this service area was mainly due to an increase in grant income (Dedicated Schools Grant and Pupil Premium) together with reductions in expenditure on payments to early years providers and an increase in the underspend on City Catering, partially due to the impact of universal free infant school meals.

The Dedicated Schools Grant was £0.33M higher than anticipated due to the impact of an increase in the number of children identified in the Early Years censuses. This impact was compounded by the fact that payments to Early Years providers were £0.28M lower than anticipated due to a reduction in the numbers of funded hours paid for pre-school age children.

The Government introduced Universal Infant Free School Meals from 1st September 2014. Schools received additional funding to meet the cost of providing these meals. The Catering Service under spent by £0.29M against its budget, due in part to surplus income resulting from the provision of these additional meals.

Looked after children within Southampton benefitted from a pupil premium of £1,900 per child. This resulted in £0.24M of this funding being allocated against expenditure within the Education and Early Years division for the benefit of our looked after children's population.

Additional income generation together with the impact of staff vacancies led to underspends in Standards and School Improvement, Data IT and Business Support and Educational Psychology of £0.31M.

An overspend of £0.52M on High Needs due to the additional cost of educational placements for children and young people with a special educational need, was funded from the non-recurring monies held within DSG carry forward from 2013/14.

Home to school transport for children attending Special schools and for looked after children overspent by £0.19M. This was mainly due to an increase in the numbers of children in care together with the impact of additional places at Special Schools. The number of places at Great Oaks and Springwell Special Schools increased in September 2014, contributing to this over spend. The outturn position now includes the impact of a budget adjustment of £0.20M taken from the Council's Risk Fund for this purpose.

CS3 – Specialist Core Services (adverse variance £0.32M)

The over spend on this budget was due to the cost of agency workers who have been required to support this function.

This adverse variance has arisen as a result of the need to cover social work vacancies with agency staff. On average, agency workers cost twice as much as a social worker.

CS4 – Divisional Management & Legal (adverse variance £0.15M)

The over spend on this budget was due to the cost of interim and agency workers who have been required to support the safeguarding and management functions.

This additional costs of agency and interim workers were incurred for temporary placements during the Children Services restructure and for posts identified to address the Ofsted action plan.

The over spend was partially offset by a forecast under spend on legal of £0.06M which resulted from a reduction in court fees. A draw of £0.20M was made from the Risk Fund reducing the over spend on Divisional Management and Legal Services.

CS5 – MASH and Early Help (favourable variance £0.30M)

Children's Centres have been funded in year from an external grant.

This favourable variance is due to additional Public Health funding in year to reflect the closer alignment of the services provided at the Children's Centres with the outcomes and aims of the Public Health grant.

Summary of Risk Fund Items allocated to the Portfolio budget

Service Activity	£M
Looked after Children and Resources	0.43
Divisional Management and Legal Services	0.20
Infrastructure – Transport	0.20
Risk Fund Items	0.83

COMMUNITIES PORTFOLIO

The Portfolio has under spent by **£0.29M** at year-end, which represents a percentage variance against budget of **11.5%**. This position takes into account allocations that have been made from the Risk Fund and assumed revenue grant carry forwards, as shown below:

	£M	%
Portfolio Outturn Pre Risk Fund	0.21 F	8.3
Allocation from Risk Fund	0.08 F	3.2
Grant Carry Forwards	-	
Final Portfolio Outturn	0.29 F	11.5
Carry Forward Requests	0.16	

The SIGNIFICANT issues for the Portfolio are:

COMM 1 – Prevention & Inclusion Service (adverse variance £0.02M)

The cost of the Council’s responsibility for young offenders in remand is volatile

Due to the volatile nature of the need for remand and the range of costs at specific facilities (ranging from £158 to £555 per night), the cost of this service is difficult to forecast with any certainty. Therefore, provision was made in the Risk Fund for this service area. A sum of £0.08M was transferred from the Risk Fund during the year based on the overall Portfolio monitoring position at month 10.

COMM 2 – Social Fund & Property (favourable variance £0.13M)

Funding has yet to be spent on this project.

A sum of £0.13M was allocated by Cabinet from the General Fund revenue budget contingency in response to the Overview and Scrutiny Management Welfare Reforms Inquiry concerning the planned transition of the Social Fund to local welfare Provision. This sum was carried forward from 2013/14 with the expectation that work would commence in 2014/15 and run through the year transition period.

Detailed work has continued to develop and implement the recommendations made and this work is being overseen by the Welfare Reforms Monitoring Group. However, the funding has yet to be spent and implementation is now expected to commence during 2015/16. A further carry forward of the full budget is therefore requested.

COMM 3 – Leisure Events (favourable variance £0.08M)

There was additional income and an under spend on People’s Panel activity

A £0.05M favourable variance on income reflects the level of event activity undertaken during the year, the majority of which had been forecast during the year.

In addition, an under spend of £0.03M has arisen against the specific budget provision made for The People’s Panel. The panel was established in 2014 as part of the Council’s pledges for the 50th anniversary celebrations and is a joint project with the CCG supported by the University of Southampton. It has not been possible to spend the full amount of funding allocated to the Panel in-year, due to delays in securing support from the university to develop the required software and support. This has now been resolved and a carry forward request is therefore submitted to enable the panel activity to be completed during 2015/16.

COMM 4 – Emergency Planning (favourable variance £0.08M)

There were staff savings during the year

Staff savings of £0.07M occurred, due to posts being left vacant in preparation for a restructure of the service areas. In addition, supplies and services costs were less than anticipated.

Summary of Risk Fund Items

Service Activity	£M
Youth Remand	0.08
Risk Fund Items	0.08

ENVIRONMENT & TRANSPORT PORTFOLIO

The Portfolio has under spent by **£0.39M** at year-end, which represents a percentage variance against budget of **1.5%**. This position takes into account allocations that have been made from the Risk Fund and assumed revenue grant carry forwards, as shown below:

	£M	%
Portfolio Outturn Pre Risk Fund	0.42 F	1.6
Allocation from Risk Fund Page 41	-	

Grant Carry Forwards	0.03 A	0.1
Final Portfolio Outturn	0.39 F	1.5
Carry Forward Requests	-	

The **SIGNIFICANT** issues for the Portfolio are:

E&T 1 – Waste Disposal (adverse variance £0.89M)

There were various overspends with an adverse overall variance.

The Waste Disposal Contract had increased rates from January 2014, which increased overall costs by £0.09M in the financial year. A provision of £0.09M for this was made in the Risk Fund but underspends elsewhere in the portfolio meant it was not required.

In addition, there were additional disposal costs of £0.27M for the Civic Amenity Waste Centres and £0.31M for general collected household waste, due to increased volumes of waste collected. Both of these variances were in line with neighbouring authorities within the County.

There was a shortfall of £0.12M in recycling income and the savings proposal to charge for school waste disposal could not be implemented, due to legislative reasons, at a cost of £0.10M.

E&T 2 – Domestic Waste Collection (adverse variance £0.42M)

There was an adverse variance on employee costs.

The Domestic Waste Collection service was £0.33M adverse, due to additional agency costs required to cover front line staff absences mainly due to sickness, being above the budgeted base level. In addition, there was an adverse variance on income from the sale of Dry Mixed Recyclables of £0.04M, due to the fall in demand and price. Also vehicle running costs were adverse by £0.07M.

E&T 3 – Off Street Car Parking (favourable variance £0.57M)

There was a favourable variance on parking income of £0.52M and on business rates expenditure of £0.05M.

There was a favourable variance for off street car parking, due to higher parking income of £0.52M and rates expenditure was lower than originally anticipated by £0.05M. The favourable income variance could, in part, be attributed to the introduction of evening charges. Thus, it was not necessary to draw on the Risk Fund in respect of any shortfall in Off Street Car Parking income across the whole of the city.

E&T 4 – Regulatory Services - Commercial (favourable variance £0.17M)

There was a variance on external income of £0.14M.

In Port Health there were additional Border Inspection Post (BIP) Fees of £0.02M and other specialist income relating to imports from China/Japan of £0.11M. There were other net savings across the service of £0.03M.

E&T 5 – Travel (favourable variance £0.41M)

There were savings on the Concessionary Fares scheme and on maintenance budgets, as well as an unbudgeted profit share from bus shelter advertising.

The total number of Concessionary Fare journeys and the average fare have been monitored closely throughout the year. At year-end, based upon the actual passenger journeys, there was a favourable variance on the scheme of £0.28M. Also there was income of £0.09M from the bus shelter contract profit share. This relates to advertising revenue for the period from the start of the contract in May 2011. There was also a Real Time Information maintenance contract saving of £0.05M as the costs were grant funded through the Local Sustainable Transport Fund.

E&T 6 – E&T Contracts Management (favourable variance £0.23M)

There were savings on street lighting costs.

A level of savings on the PFI Street Lighting contract sum was planned and factored in corporately. These savings were £0.07M more than the originally planned profile. Also the street lighting energy costs were £0.14M favourable. This was due to lower power consumption (£0.21M favourable), partly offset by higher energy prices (£0.06M adverse). A provision for this unbudgeted price inflation had been made in the Risk Fund but underspends elsewhere in the portfolio meant it was not required. Also, there was a small saving of £0.01M on the City Watch contract.

E&T 7 – Development Control (favourable variance £0.19M)

There were staff savings and additional income which more than offset a lower level of income from CIL administration.

Employee costs were £0.08M favourable, due to staff vacancies, and there were increases in income of £0.16M, mainly from planning applications. There was also an under spend of £0.03M relating to grant funded work to facilitate the delivery of the Bassett and East Street/Queensway neighbourhood plans.

These favourable variances more than offset an adverse variance on Community Infrastructure Levy (CIL) administration fees. An income target of £0.13M was included in Environment and Transport Portfolio's base revenue budget for CIL administration. However, there have been changes by Central Government to the CIL regulations which mean that schemes that previously would have been liable to pay the Levy no longer will be. The actual CIL administration income was £0.03M for the year, an adverse variance of £0.10M.

HOUSING & SUSTAINABILITY PORTFOLIO

The Portfolio has under spent by **£0.10M** at year-end, which represents a percentage variance against budget of **5.3%**. This position takes into account allocations that have been made from the Risk Fund and assumed revenue grant carry forwards, as shown below:

	£M	%
Portfolio Outturn Pre Risk Fund	0.05 A	2.7
Allocation from Risk Fund	0.18 F	9.2
Grant Carry Forwards	0.02 A	1.2
Final Portfolio Outturn	0.10 F	5.3

Carry Forward Requests	-	
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There **SIGNIFICANT** issues for the Portfolio are:

HOUS1 – Sustainability (favourable variance £0.02M)

The budget for purchasing Carbon Reduction Certificates was in the Risk Fund

The cost of the Carbon Reduction Certificates (CRCs) needed to cover the authority’s consumption in 2014/15 was covered by a draw of £0.18M from the Risk Fund.

In addition, there was an under spend of £0.02M on a DEFRA grant for sustainable drainage.

HOUS2 – Housing Renewal (favourable variance £0.05M)

There were vacant posts and an under spend on supplies and services budgets

There has been an under spend on salaries of £0.02M due to two vacant posts within the team. In addition, there has been an under spend on general office expenditure of £0.01M and a budget for Capita fees of £0.01M was not required.

Summary of Risk Fund Items

Service Activity	£M
Sustainability – CRC purchases	0.18
Risk Fund Items	0.18

LEADERS PORTFOLIO

The Portfolio has under spent by **£0.70M** at year-end, which represents a percentage variance against budget of 14.5%. This position takes into account allocations that have been made from the risk fund and assumed revenue grant carry forwards as shown below:

	£M	%
Portfolio Outturn Pre Risk Fund	0.75 F	15.5
Allocation from Risk Fund	-	
Grant Carry Forwards	0.05 A	1.0
Final Portfolio Outturn	0.70 F	14.5
Carry Forward Requests	-	

The SIGNIFICANT issues for the portfolio are:

LPOR 1 – Land Charges (favourable variance £0.19M)

Additional income / reduced spend on Supplies & Services

The value and volume of Land Charges income received is directly affected by conditions in the housing market and wider economy and is therefore difficult to predict. The £0.13M favourable variance has been forecast during the year based on in-year projections of income received. In addition a one-off under spend on supplies & services budgets of £0.05M has arisen.

The remaining favourable variance of £0.02M relates to the carry forward of grant income from the DCLG relating to personal search fees

LPOR 2 – Democratic Representation and Management / Licensing (favourable variance £0.19M)

Under spends on Salaries / Supplies and Services / Cameras

A favourable variance of £0.14M has arisen primarily due to:

- Staff vacancies, for which recruitment is ongoing,
- A one-off under spend on supplies and services,
- Reduced spend on members allowances following a reduction in the number of Cabinet members, an on-going saving for which was approved by Council in July.

In addition a one-off under spend of £0.05M has arisen within Licensing due to reduced spend on taxi cameras following the decision by Licensing Committee on 8th April 2014 to suspend the subsidy for the installation of cameras with effect from 1st June 2014.

LPOR 3 – Registration of Electors & Elections Costs (favourable variance £0.10M)

Under spends on Salaries / Canvassing costs

The favourable outturn position reflects the difficulties encountered in recruiting to the posts created to deal with the new Individual Electoral Registration (IER) element of the overall service. In order to deliver the essential requirement to maximise registration in the run up to the Parliamentary General Election it was necessary to divert staff resources from the core registration process. In addition to the permanent team, historically around 100 canvassers are brought in annually for a specific canvass period. IER canvassing will be required throughout the year on an ongoing basis and as a result canvassing duties were migrated to the temp pool so that work could be allocated on an ad hoc basis as and when required. Only a limited number of experienced canvassers were prepared to take on the new role, supplemented by additional student specific canvassers. As a result canvassing activity was restricted to key areas to meet performance and legislative targets.

The majority of the transition arrangements have now been implemented and it is anticipated that directions for 2015/16 will see a return to a more standardised canvassing approach primarily during the usual August to November peak and then continued at a lower level throughout the year. In addition recruitment to the core

office based team is progressing so that the traditional registration activities will also pick up together with their associated costs.

LPOR 4 – Corporate Communications (favourable variance £0.09M)

Under spends on Salaries / Surplus on Design

The favourable position reflect savings of £0.02M from staff vacancies that have arisen due to ongoing recruitment, together with a £0.03M surplus position within the Design service which is difficult to forecast in-year due to the demand led nature of the service.

The remaining favourable variance of £0.03M relates to the carry forward of grant received in 2014/15 relating to 2015/16 to cover statutory notices for the 21st Century.

LPOR 5 – Skills, Regeneration & Partnership (favourable variance - £0.09M)

Increase in external income for Regeneration Projects / underspend on salaries

Council funding of £0.21M was available for Regeneration & City Limits projects for 2014/15. However, due to an increase in external funding into the Regeneration Team, only £0.15M of Council funding was required, creating a favourable variance of £0.06M.

In addition to this, there has been an under spend on staffing of £0.03M as a Project Officer post has been vacant for nine months.

RESOURCES & LEISURE PORTFOLIO

The Portfolio has under spent by **£3.62M** at year-end, which represents a percentage variance against budget of 7.1%. This position takes into account allocations that have been made from the risk fund and assumed revenue grant carry forwards as shown below:

	£M	%
Portfolio Outturn Pre Risk Fund	3.62 F	7.1
Allocation from Risk Fund	-	
Grant Carry Forwards	-	
Final Portfolio Outturn	3.62 F	7.1
Carry Forward Requests	0.13	

The **SIGNIFICANT** issues for the Portfolio are:

RES 1 – Gallery and Museums (adverse variance £0.22M)

There was a shortfall in venue income due to lower visitor numbers than anticipated.

Visitor numbers to SeaCity and Tudor House were lower than anticipated for the year resulting in a shortfall in income of £0.07M for Tudor House and £0.37M for SeaCity. A provision of £0.12M for this had been made in the Risk Fund but underspends elsewhere in the Resources and Leisure Portfolio mean it was not required.

The adverse variance in income was partially offset by a favourable variance on staffing across the two venues of £0.05M, due to staff turnover. In addition, there were savings of £0.05M on the cost of utilities at SeaCity and £0.06M on the Exhibitions expenditure budget. Also, the income levels across the Art Gallery, Westgate Hall and the Learning team were £0.05M favourable.

RES 2 – Corporate Management (favourable variance £0.22M)

Income from Strike Deductions/External Audit rebate/Duplicate Payments/Bank Charges

The main favourable variances have arisen for the following reasons:

- £0.04M strike deductions received during the year. These deductions have been captured centrally and have not been applied to offset any costs incurred by those Council services affected by strike action.
- £0.03M rebate from the external auditors relating to prior years accounts
- £0.02M in-year saving from the introduction of the new bank contract; a detailed review of banking costs will be undertaken during 2015/16 to assess the estimated annual budget required.
- £0.09M from the write-off of the historic surplus balance from reimbursement of duplicate payments made by SCC.

RES 3 – Central Repairs & Maintenance (favourable variance £0.63M)

One-off reduction in Planned Programme, in-year under spends

A one-off saving has been achieved against the planned programme based on an agreed list of schemes now deferred to 2015/16, the budget for which was moved to Property Services in-year to be declared as a saving (see Property Services below). Risks were considered due to potential impact on reactive maintenance budgets if works had become essential prior to the commencement of the 2015/16 programme.

The remaining under spend of £0.63M is due primarily to a lower than anticipated call on the reactive budgets of £0.41M, together with careful and active management of the budget. In addition there is slippage of £0.22M against the planned works programme, the remaining works for which will now be completed as part of the planned works programme/budget for 2015/16.

RES 4 – Portfolio General (favourable variance £0.15M)

Salaries and supplies and services Page 47

A detailed review of all budgets has been undertaken across the Portfolio resulting in the identification of salary under spends from vacant posts, together with under spends within supplies and services as a result of the in-year moratorium on spend. Where possible any ongoing savings identified form part of approved budget savings for 2015/16 or new savings proposals currently under consideration for 2016/17 and future years.

RES 5 – Property Portfolio Management (favourable variance £1.05M)

Additional Investment Property income offset by additional one-off costs

A favourable income variance of £0.80M has arisen within the Investment Property account primarily as a result of delayed property disposals pending a review of the wider Property Strategy and future disposal/investment plans. This is offset by £0.20M one-off additional expenditure relating to the property management costs for current Investment properties to address essential maintenance / potential health & safety issues.

In addition a £0.45M under spend against the Property Portfolio Management budgets of which £0.32M has arisen pending the outcome of the Property Strategy and Service Property reviews and the need to defer decisions/spend. Current activity, the majority of which is undertaken by Capita Property, is less than originally anticipated but is expected to ramp up once the impact of a revised disposal strategy is known (see note above re Investment Property income). The remaining variance relates to:

- £0.05M one-off reduction in contribution to the bad debt provision following a review of provisions required
- £0.08M one-off reimbursement of specific disposal costs previously incurred

RES 6 – Leisure Client (adverse variance £0.06M)

There was contractual utility inflation on the Active Nation contract.

Under the contract with Active Nation to run the Council's sports provision, the Council bears the risk of cost inflation on utilities over and above the Consumer Price Index. This was approximately £0.05M and provision has been made in the Risk Fund but underspends elsewhere in the Resources and Leisure Portfolio mean it was not required.

RES 7 – Major Projects (favourable variance £0.11M)

An under spend on Council funding for the new arts complex was partially offset by additional business rates for Oaklands Pool.

Southampton New Arts Complex (SNAC) - Council funding of £0.16M, along with Arts Council England (ACE) funding of £0.15M, was originally budgeted to transfer to the operating company of the new arts complex in 2014/15.

The project has been delayed substantially and subsequently the process for appointing an operating company has taken longer than anticipated. This has led to a net underspend of £0.13M for the Council.

There remain considerable challenges for the revenue budget of the arts complex and it is proposed that funding of £0.13M should be carried forward into 2015/16 for the purpose of establishing a sound basis for its business operation, programme and

marketing, ensuring the best possible preparation for future financial viability. If this funding is not carried forward, it is highly likely that ACE will reduce its grant funding in line with the Council's.

Oaklands Pool community transfer - There was an adverse variance of £0.05M, due to unbudgeted set-up costs and business rates totalling £0.03M until November when the building was handed to the community group.

This expenditure was not previously anticipated as the building had been unoccupied. However, as refurbishment work has been carried out on the building over the past year, it was not eligible for S44a relief for business rates.

Major Projects team – There were additional savings of £0.04M on operational costs.

RES 8 – Audit and Risk Management (favourable variance £0.17M)

Under spend on Insurance Premiums / Audit Fees / Surplus provision in Insurance reserves

The favourable variance has arisen for the following reasons:

- £0.12M under spend on insurances, of which £0.08M represents a specific under spend against the insurance premiums budget, the contract for which has just been tendered.
- £0.06M under spend against the HCC Audit Partnership based on SCC's share of the Partnership costs for the current financial year.

RES 9 - Property Services (favourable variance £1.70M)

Under spend on utilities & maintenance / OGS / sinking funds / other

The main favourable variances has arisen for the following reasons:

- £0.41M under spend on Admin Buildings budgets primarily across the utilities and health & safety / maintenance budgets due to the Civic being only part occupied whilst the refurbishment works have taken place under the ASAP programme; over the last 3 years the under spends against these budgets have been consistently declared in-year as part of the financial monitoring reports. Full occupation has only recently been completed with the Civic being further utilised to accommodate the vacation of OGS and Castle Way, so budgets are now be reassessed to determine whether there are any ongoing savings that can be declared. Reduced spend on health & safety/maintenance budgets also reflects the requirements to undertake essential works only.
- £0.15M separate under spend within Admin Buildings relating to Council occupation of OGS following the vacation of the building in December, the ongoing saving from which was approved by Full Council on 11th February 2015.
- £0.34M agreed under spend relating to the suspension of sinking fund contributions for OGS and the Civic for 2 years from 2014/15. The 2015/16 impact of this was also approved by Full Council in February.
- £0.09M surplus income contribution generated from Capita fees. The volume/value of Property variable work has been higher than anticipated during the year. This has resulted in a surplus of income from SCC clients to cover Capita/SCC costs and overheads. This has not been previously forecast due to the inherent difficulty in predicting demand due to the volatile nature of variable work.

- £0.09M under spend on Corporate Health & safety as corporate activity requirements are reviewed, it is anticipated that health and safety activity will be incorporated within the wider property review
- £0.54M agreed saving against the planned R&M programme based on an agreed list of schemes now deferred to 2015/16.

RES 10 – Contract Management (favourable variance £0.42M)

In-year Contract Changes/Service credits

A favourable variance of £0.10M reflects the in-year benefit of reduced Capita costs arising from changes to the contract, the majority of which have already been reflected in the budgets for 2015/16 and ongoing. In addition one-off service credits totalling £0.33M have been received as part of the contract performance measurements, the bulk of which relate to annual performance for which in-year forecasting is not possible.

RES 11 – IT Services (favourable variance £0.09M)

Rationalisation of PCs

The main favourable variance has arisen from the managed rationalisation of PCs and laptops across the authority resulting in a saving to SCC of £0.05M.

RES 12 – Local Taxation & Benefits (favourable variance £0.18M)

In-year contract savings/review of bad debt contribution

The main variances has arisen due to an in-year favourable variance of £0.10M against the Capita contract primarily relating to caseload volumes and postage costs together with a £0.06M reduced contribution to the bad debt provision following a review of the level of provision required.

RES 13 – Libraries (favourable variance £0.08M)

There were savings on IT costs, book and other materials stock costs and business rates budgets.

There were savings of £0.03M on IT costs, due to delays in commissioned ITS works at Cobbett Road and Burgess Road Libraries. The delay in opening the new Woolston Library resulted in savings of £0.03M on business rates. A further saving of £0.03M on the purchase of book and other materials stock was due to delays in procurement.

CARRY FORWARD REQUESTS

Carry forward requests will be considered for approval if they are for already approved, one off schemes, which were not completed in year (i.e. re-phasing of one-off spend) and if there are insufficient funds available in the forthcoming year.

The carry forward requests received, relating to the 2014/15 outturn position total £0.3M and are as follows:

The Peoples Panel £0.03M

The People's Panel was established in 2014 as part of the Council's pledges for the 50th anniversary celebrations. It is a joint project with the CCG supported by the University of Southampton. It has not been possible to spend the full amount of funding allocated to the Panel in year as due to delays in securing support from the university to develop the required software and support. This has now been resolved.

Social Fund Transition £0.13M

A sum of £0.13M was allocated by Cabinet from the General Fund revenue budget contingency in response to the Overview and Scrutiny Management Welfare Reforms Inquiry concerning the planned transition of the Social Fund to local welfare Provision. This sum was carried forward from 2013/14 with the expectation that work would commence in 2014/15 and run over a two year transition period. Detailed work has continued to develop and implement the recommendations made and this work is being overseen by the Welfare Reforms Monitoring Group. However, the funding has yet to be spent and implementation is now expected to commence during 2015/16. A further carry forward of the full budget is therefore requested.

Southampton New Arts Complex £0.14M

Council funding of £160,000, along with Arts Council England (ACE) funding of £153,300, was originally budgeted to transfer to the operating company of the new arts complex in 2014/15. The project has been delayed substantially and subsequently the process for appointing an operating company has taken longer than anticipated. This has led to a net underspend of £0.14M for the Council. There remain considerable challenges for the revenue budget of the arts complex and it is proposed that this funding should be carried forward into 2015/16 for the purpose of establishing a sound basis for its business operation, programme and marketing, ensuring the best possible preparation for future financial viability. If this funding is not carried forward, it is highly likely that ACE will reduce its grant funding in line with the Council's.

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DECISION-MAKER:	COUNCIL		
SUBJECT:	GENERAL FUND CAPITAL OUTTURN 2014/15		
DATE OF DECISION:	15 JULY 2015		
REPORT OF:	CABINET MEMBER FOR FINANCE		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Mel Creighton	Tel: 023 8083 4897
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STATEMENT OF CONFIDENTIALITY
NOT APPLICABLE

BRIEF SUMMARY

The purpose of this report is to outline the General Fund capital outturn position for 2014/15 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 2015/16 which take account of slippage and re-phasing.

RECOMMENDATIONS:

- (i) Notes the actual capital spending in 2014/15 as shown in paragraphs 4 and 5 and notes the major variances detailed in Appendix 1 and Appendix 2.
- (ii) Notes the revised estimates for 2015/16, adjusted for slippage and re-phasing as shown in Appendix 3.
- (iii) Approves the proposed capital financing in 2014/15 as shown in paragraph 12.
- (iv) Notes that the capital programme remains fully funded up to 2017/18 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.
- (vi) Approve the addition and spend of £3.0M to the Environment and Transport portfolio capital programme in 2014/15 to fund the purchase of 10 refuse collection vehicles and 65 other vehicles to be funded by council resources.

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn position for 2014/15 forms part of the approval of the statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None as the outturn and financing for 2014/15 have been prepared in accordance with statutory accounting principles.

DETAIL

CONSULTATION

3. Directors, Heads of Service and Project Managers have been consulted in preparing the reasons for variations contained in Appendix 1.

CAPITAL OUTTURN 2014/15

4. Total General Fund capital expenditure in 2014/15 was £42.2M compared to an estimate of £51.9M, giving an under spend of £9.7M or 18.67% of the programme.
5. The performance of individual capital programmes in 2014/15 is summarised in the following table.

SUMMARY OF GF CAPITAL OUTTURN 2014/15

Portfolio	Approved £M	Actual £M	Variance £M	Variance %
Children's Services	9.2	7.9	(1.3)	13.9
Leader's	6.1	4.6	(1.5)	24.6
Environment & Transport	28.3	24.5	(3.8)	13.6
City Services	0.8	0.6	(0.2)	19.4
Adult Services	0.5	0.3	(0.2)	34.9
Housing & Sustainability	2.5	1.4	(1.1)	45.0
Leisure	2.6	1.9	(0.6)	25.3
Resources	2.0	1.0	(1.0)	49.6
Total GF Capital Programme	51.9	42.2	(9.7)	18.7

6. Reasons for major variances on individual schemes are given for each Portfolio in Appendix 1.
7. Appendix 2 shows the 2014/15 actual and 2014/15 latest approved estimate, together with the total spend for all years for each scheme to date, compared to the total scheme budget. Slippage accounted for £10.5M of the under spend offset by re-phasing of £0.6M on some schemes to bring expenditure forward, the remaining £0.2M being true over spends.
8. The revised estimates for 2015/16, adjusted for slippage and re-phasing are shown in Appendix 3.
9. Any over spends on individual schemes are financed 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 and this may result in reduced outputs where an over spend results in cuts being made elsewhere in the programme.

10. A number of major forecast under or over spends have been identified at this stage (as detailed in Appendix 1) including:
 - North of Station - £0.2M over spend
 - Sea City Museum - £0.2M over spend
11. The impact of scheme variances for 2014/15 on future years' capital expenditure will be reported to Council Capital Board and will feed into future capital programme updates aligned to Council Priorities and Outcomes.
12. 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 2014/15

	£M
Total Financing Required	42.2
Financed By: -	
Borrowing	12.1
Capital Grants	26.8
Capital Contributions	2.2
Direct Revenue Financing	1.1
Total	42.2

PRUDENTIAL INDICATORS

13. 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 2015 Annual Treasury Management Strategy and Prudential Limits report.

	Actual	Estimates			
	2014/15 £M	2014/15 £M	2015/16 £M	2016/17 £M	2017/18 £M
General Fund	42.2	49.0	46.8	5.6	0.5
HRA	30.2	34.9	65.5	46.6	42.0
Total	72.4	83.9	112.3	52.2	42.5

14. The reason for the difference between the General Fund estimate for 2014/15 in the table above and the estimate shown elsewhere in this report is due to a number of changes to the programme being approved between the Treasury Management Strategy report being written and approved in February and the end of the financial year in March. These changes will be formally reported to the Council's Capital Board and are mainly as the result of the slippage and rephrasing detailed within this report.
15. This indicator for 2015/16 to 2017/18 will be updated as part of any future programme updates. The Treasury Management Outturn 2014/15 report, elsewhere on the Council Agenda, contains details of the other Prudential Indicators.

CAPITAL PROGRAMME FUNDING

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 economic climate has 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, to undertake additional borrowing in order to provide cover for any delays in the timing of capital receipts.
18. A total £12.0M of temporary borrowing was undertaken in 2010/11 & 2011/12 to be repaid from capital receipts. To date £8.3M has been repaid. The timing of the repayment of the balance will be considered as part of reviewing the use of resources available to meet the authorities' capital expenditure priorities. The revenue costs associated with undertaking this prudential borrowing have been built into future budget forecasts.
19. 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 based on the latest forecast of capital receipts. As reported to Council on 11 February 2015 the capital programme remains fully funded up to 2017/18. The availability of additional capital receipts to fund new schemes will be dependent upon the disposal strategy adopted and the medium-term financial strategy.
20. It should be noted that capital receipts of £6.2M have been set aside to meet loan repayments made in 2014/15. This sum fully reduced the need to make an MRP contribution in 2014/15 normally funded by revenue. In addition, £2.6M of capital receipts have been used in lieu of direct revenue financing of capital spend. This has generated in total a one off saving to General Fund Revenue of £8.8M. The assumed use of capital receipts has been replaced by borrowing.
21. The current Capital Strategy was approved by Council in February 2015. This includes a revised process for implementing and approving changes to the current capital programme and for allocating funding to new schemes linked to the Council's key strategic priorities and outcomes. This process will be

managed via the Council Capital Board.

22. The Chief Financial Officer has delegated powers for the addition and approval to spend of up to £2.5M on leased or purchased vehicles. However during the year total expenditure of £3.0M has been incurred, approval is therefore sought for the addition of £3.0M to the Environment & Transport capital programme and for approval to spend this sum funded from council resources. The Council has purchased 10 refuse collection vehicles and 65 other vehicles in support of the Environment & Transport service.

RESOURCE IMPLICATIONS

Capital/Revenue

23. 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 annual revenue budget setting meetings.

Property/Other

24. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

25. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council. The Capital Outturn Report is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

26. None.

POLICY FRAMEWORK IMPLICATIONS

27. The outturn for 2014/15 forms part of the overall statutory accounts.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	None.
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SUPPORTING DOCUMENTATION

Appendices

1.	Capital Outturn 2014/15 – Details of Significant Variances
2.	Scheme Budget Variances 2014/15
3.	Revised Estimates 2015/16

Documents In Members’ Rooms

1.	
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes/No
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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.		

CHILDREN'S SERVICES PORTFOLIO

The spend for the year is **£7.91M**. This can be compared with the budgeted figure for 2014/15 of **£9.19M** resulting in an under spend of **£1.28M**, which represents a percentage under spend against budget of **13.9%**.

SIGNIFICANT OVER OR UNDER SPEND

There are no significant over or under spends for the portfolio.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

CS 1 - Bitterne Park Sixth Form (slippage £0.24M)

The dispute with the contractor over the final invoice sum for the new sixth form building had not been resolved by 31st March 2015.

The dispute between the parties was settled in May 2015, upon which a settlement payment was accepted by the contractor. Whilst the payment was made by the City Council the eventual liability for this sum is subject to ongoing discussion between the City Council and the school.

CS 2 - Early Years Expansion Programme (slippage £0.11M)

The expansion of nursery places for two year olds is progressing slower than anticipated.

The programme to expand the number of two year old nursery places across the city has been altered slightly, to account for the need for in depth consultation with landowners, as well as the undertaking of additional survey work. One of the main projects within this programme will not be pursued due to archaeological issues. An alternative venue/s will be sought to replace it resulting in greater spend in 2015/16.

CS 3 - Portswood Primary Expansion (slippage £0.11M)

The expansion of Portswood Primary School will now be delayed into 2016, following the receipt of tenders

The tender returns for this project exceeded the available budget. It has, therefore, been necessary to take time to reconfigure the project to match the available funding, leading to a delay in its implementation.

CS 4 - Increased Places at St Marys Primary – Phase 2 (slippage £0.12M)

Retention monies have yet to be paid.

The project has now been completed with the exception of the retention monies which should be paid in 2015-16.

CS 5 - Health and Safety Capital (slippage £0.22M)

Delay in respect of fire risk assessments.

Fire risk assessments were delayed due to a dispute with the contractor. As a result, this work is now being undertaken by another supplier with the backlog being undertaken in 2015-16.

LEADERS PORTFOLIO

The spend for the year is **£4.57M**. This can be compared with the budgeted figure for 2014/15 of **£6.06M** resulting in an under spend of **£1.49M**, which represents a percentage under spend against budget of **24.6%**.

SIGNIFICANT OVER SPEND OR UNDER SPEND

There are no significant over or under spends for the portfolio.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

LD 1 – Southampton New Arts Centre (SNAC) (slippage £0.60M)

There have been delays to the project programme.

The project remains behind the revised programme, due to unforeseen obstacles underground and the inclement weather, and is reliant on effective completion by the shell contractor to prevent further delay.

LD 3 – Northern Above Bar – Guildhall Square (slippage £0.20M)

There has been a delay in the installation of lighting.

The Guildhall lighting element of the project is still awaiting resolution. It is anticipated that this will now be completed in 2015/16.

LD 3 – QE2 Mile – Bargate Square (slippage £0.46M)

The final section of the scheme is currently on hold.

The Bargate Shopping Centre has been acquired by an asset management company who wish to sell the property. When a developer acquires the property and comes forward with a scheme for the site, a full scheme schedule will be developed for Bargate Square. The final section of this scheme is likely to require additional funding.

LD 4 – Station Quarter Southside (slippage £0.06M)

There has been a delay to the start of the main scheme.

The main scheme for Station Quarter Southside is not being progressed as originally planned. Alternatives are being explored for action in the two financial years from April 2015.

ENVIRONMENT & TRANSPORT

The spend for the year is **£24.51M**. This can be compared with the budgeted figure for 2014/15 of **£25.36M** resulting in an under spend of **£0.85M**, which represents a percentage under spend against budget of **3.4%**.

SIGNIFICANT OVER SPEND OR UNDER SPEND

E&T 1 - North of Station (adverse variance £0.18M)

There have been unforeseen costs and some work has been brought forward into 2014/15 from 2015/16.

Phase 1 of development work, to improve the public realm and connectivity of the station with the rest of the city, started in February 2014 and was completed in December 2014. The final costs for construction were in line with the Target Cost from the Highways Partner. However, additional unforeseen on-site costs, charges for suspended parking bays and early design fees for future phases account for an over spend of £0.14M. This overspend is funded by savings on other capital projects within the Integrated Transport section of the Environment & Transport Capital Programme. Phases 2, 3 and 4 began on site in January 2015 and the contractor has progressed well ahead of the original schedule. This has required £0.04M to be brought forward from the 2015/16 budget.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

E&T 3 - Principal Roads (slippage £0.23M)

There is slippage into 2015/16 of the funding for this ongoing scheme.

The Principal Roads scheme is part of the 'share mechanism' with the Highways Partner. Within the scheme there are 11 projects being delivered. Greater efficiency by the Council's Partner, coupled with improved risk mitigation measures, have resulted in the delivery of these projects well within the available budget. There is a net favourable variance of £0.23M, which will fund the ongoing Roads programme in 2015/16.

E&T 4 - Unclassified Roads (slippage £0.17M)

There is slippage into 2015/16 of the funding for this ongoing scheme.

The Unclassified Roads scheme is part of the 'share mechanism' with the Highways Partner. Within the scheme there are 40 projects being delivered. Greater efficiency by the Council's Partner, coupled with improved risk mitigation measures, have resulted in the delivery of these projects well within the available budget. There is a net favourable variance of £0.17M, which will fund the ongoing Roads programme in 2015/16.

E&T 5 - Unclassified Roads - Carriageway (slippage £0.45M)

There is slippage into 2015/16 of the funding for this scheme.

The Unclassified Roads - Carriageway scheme is part of the 'share mechanism' with the Highways Partner. Within the scheme there are 7 projects being delivered. A number of identified high risk items were not realised and this has resulted in the delivery of these projects being well within the available budget. There is a net favourable variance of £0.45M, which will fund the ongoing Roads programme in 2015/16.

E&T 6 - Bridges to Prosperity (slippage £0.26M)

There is slippage into 2015/16 on this scheme due to the complexity of the work.

There was slippage on the Northam Road Bridge project of £0.19M, due to the complexity of the works needed to the structure, delaying the completion until April 2015. There was also slippage on the Western Approach Rail Bridge project of £0.04M, due to the delays to rail possessions necessary to complete the works.

E&T 7 - Platform for Prosperity (slippage £0.34M)

There is minor slippage into 2015/16 on this significant scheme.

Over the financial year capital works totalling £5.63M have been delivered. There is slippage into 2015/16 of £0.34M covering several aspects of the whole project. Principally, works on Queens Terrace, to the value of £0.29M, will be completed in 2015/16. The project is progressing well into its final phases and is still expected to be completed within the approved total budget.

E&T 8 - Congestion Reduction (slippage £0.72M)

There is slippage into 2015/16 on this scheme due to technology performance issues.

There is slippage of £0.70M on the Cleaner Bus Technology Fund project. The bus operator have been experiencing performance issues with the Fly Wheel Technology and, therefore, have asked the supplier to halt the programme of fitting the technology to the buses until those vehicles already fitted are performing satisfactorily.

E&T 9 - Centenary Quay (slippage £1.12M)

There is slippage into 2015/16 on this scheme due to design issues.

There have been project delays resulting from design issues and design value engineering. There is slippage of £1.12M into 2015/16, due to delays in reaching an agreement on the target cost of construction with the Council's Highways Partner.

E&T 10 - Sustainable Travel (slippage £0.16M)

A project has been rescheduled following discussions with South West Trains.

The Central Station Canopy Extension project has been delayed in full until 2015/16, following discussions with South West Trains. This has led to the entire budget of £0.17M being slipped into the 2015/16.

E&T 11 – Other variances (favourable variance £0.59M)

There are a number of other variances across the programme.

The remaining favourable variance of £0.59M can be attributed to a number of schemes with individual variances below £0.10M including the following:

- Other Highways
- Classified Roads
- Highways Improvements Developers
- Highways Maintenance Risk Fund
- Cycling Improvements
- City Centre Improvements
- Public Transport
- Crematorium Major Works
- Itchen Bridge Toll Automation Project.

CITY SERVICES

The spend for the year is **£0.64M**. This can be compared with the budgeted figure for 2014/15 of **£0.79M** resulting in an under spend of **£0.15M**, which represents a percentage under spend against budget of **19.4%**.

SIGNIFICANT OVER SPEND OR UNDER SPEND

There are no significant over or under spends for the portfolio.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

CS 1 - Parks Improvement Works (slippage £0.11M)

There was slippage due to ongoing consultation with Friends groups.

There was slippage of minor amounts over various Parks Improvement schemes, mainly due to ongoing consultation with local Friends groups.

CS 2 Play Area Improvements (slippage £0.03M)

There was a delay in finalising plans with Friends Groups.

There was slippage of £0.03M on Play Area Improvement schemes, due to the need to finalise plans with local Friends groups prior to works commencing.

ADULT SERVICES PORTFOLIO

The spend for the year is **£0.30M**. This can be compared with the budgeted figure for 2014/15 of **£0.46M** resulting in an under spend of **£0.16M**, which represents a percentage under spend against budget of **34.9%**.

SIGNIFICANT OVER OR UNDER SPEND

There are no significant over or under spends for the portfolio.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

Common Assessment Framework (slippage £0.06M)

The full implementation of the Common Assessment Framework has been deferred into 2015-16

Following a successful pilot, the Common Assessment Framework was planned to be rolled out across Health and Adults Social Care in 2014-15. In order to ensure a successful implementation, it became necessary to upgrade the PARIS system to version 5.1. However, the upgrade to PARIS 5.1 was delayed, leading to a subsequent delay in the Common Assessment Framework project. This work is the first priority once the PARIS 5.1 project has been implemented.

PARIS 5.1 project (slippage £0.08M)

Implementation of the Paris 5.1 project has been delayed and will not be finished until 2015-16

The PARIS 5.1 project has been delayed due to software issues on several versions of the system delivered by the supplier. The original project plan had identified 3 cycles of testing, however the project is currently undergoing its 7th cycle. It is now envisaged that the project will be implemented by mid July 2015.

HOUSING AND SUSTAINABILITY PORTFOLIO

The spend for the year is **£1.36M**. This can be compared with the budgeted figure for 2014/15 of **£2.47M** resulting in an under spend of **£1.11M**, which represents a percentage under spend against budget of **45.0%**.

SIGNIFICANT OVER SPEND OR UNDER SPEND

There are no significant over or under spends for the portfolio.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

HOUS 1 – Estate Parking Improvements (slippage £0.20M)

There has been a delay in the start of the project.

There have been issues with planning, tree preservation, stopping up and construction costs. These issues have delayed the process of enlisting residents to contribute to the project.

HOUS 2 – Flood Risk Management (slippage £0.29M)

The start of the programme has been delayed.

Work on this programme started in March 2015 but was behind schedule by around three months. The project is expected to be completed by the end of May 2015.

HOUS 3 – Repair & Renew Grants (Flood Recovery) (slippage £0.10M)

Expenditure on this scheme has been lower than expected.

It is estimated that only £0.01M of this government grant funding will be spent in 2015/16. The balance may no longer be required and this budget will be amended in the September 2015 capital update process.

HOUS 4 – Civic Centre IT Server Room (slippage £0.05M)

The feasibility study for this project has been delayed.

There has been a delay in obtaining a feasibility study for this work to establish the viability of procuring this work. Once this study has been completed and a viable option has been selected, work on enhancing the efficiency of service provisions, such as air handling and a cooling plant, will begin.

HOUS 5 – Disabled Facilities Grants approved in 2013/14 (slippage £0.08M)

The total cost of the work programme was lower than anticipated

The slippage is due to a combination of work not being completed, due to the needs of the client changing, and work costing less than anticipated. This budget will be realigned during the September 2015 capital update process as the full costs of committed cases are now known.

HOUS 6 – Disabled Facilities Grants approved in 2014/15 (slippage £0.20M)

The payment of grants has been lower than expected.

Although the valuations of work to be carried out on properties have been accurate, there are long lead times to get work planned, authorised and completed. Client circumstances can change during this time and there has been an unexpected reduction in cases being presented for final approval and payment.

HOUS 7 – Insulation and Fuel Poverty Initiatives (slippage £0.05M)

The demand for boiler insulation was lower than anticipated.

The boiler insulation service provided by the Society of St James is demand led. As the number of requests from residents meeting the criteria of the service has been lower than anticipated the overall expenditure has been less than budgeted.

RESOURCES & LEISURE PORTFOLIO

LEISURE

The spend for the year is **£1.91M**. This can be compared with the budgeted figure for 2014/15 of **£2.56M** resulting in an under spend of **£0.65M**, which represents a percentage under spend against budget of **25.2%**.

SIGNIFICANT OVER OR UNDER SPEND

LS 1 - SeaCity Phase 2 (over spend £0.24M)

Negotiations with the contractor on the final accounts are continuing.

The Council is currently in negotiation with the contractor to settle the final account for the construction of the museum and it is anticipated that, after much delay, this will be finalised in the coming months. The current forecast over spend of £0.36M, as reported to Council in February 2015, is largely down to additional work required with regards to asbestos and the associated additional work and delays that this caused. Council approved a provision in July 2012 for additional Direct Revenue Financing of up to £0.30M as a response towards this likely pressure.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

LS 2 - Oakland's Swimming Pool (slippage £0.24M)

There has been a small delay in the completion of works and in finalising the contractor accounts.

There is slippage of £0.24M due to a small delay in the completion of works prior to handover to a community group and in work relating to the final account.

LS 3 - Lordshill Community Hall (slippage £0.16M)

There has been a small delay in the completion of works.

The refurbishment project for Lordshill Community Hall was scheduled to be a thirteen week programme but this has now been extended for an additional month. The works are due to be completed in early May 2015.

LS 4 - Woolston Library (slippage £0.37M)

There has been a delay in the delivery of the core shell of the library building.

There has been a delay, due to the Centenary Quay developer not yet having delivered a shell and core building, which would enable a lease to be signed by the Council. It is anticipated that the lease will be signed in May 2015 and that work will start on site in June to fit out the library. The works should be completed within three months and the new library opened in the autumn.

RESOURCES

The spend for the year is **£1.02M**. This can be compared with the budgeted figure for 2014/15 of **£2.02M** resulting in an under spend of **£1.00M**, which represents a percentage under spend against budget of 49.6%

SIGNIFICANT OVER SPEND OR UNDER SPEND

It is anticipated that the Office Accommodation scheme may under spend as the scheme draws to a close in 2015/16. However, due to the complexity of the scheme and residual works to be undertaken, it is not yet possible to declare any final amounts with certainty. The scheme forms part of the wider Accommodation Strategy and given the impact of future organisational change it is anticipated that the remaining funds may still be required to enable further office accommodation changes e.g. as a result of the Property review, Service Property review etc. A final position will be reported once available as part of the capital update process.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

RES 1 – Office Accommodation (slippage £0.57M)

Slippage due to updated phasing of works

The remaining works approved under the original ASAP programme are now expected to complete in 2015/16. These remaining works are primarily to facilitate increased capacity and re-configuration of office space and are scheduled to take place from now up to the end of the summer, some of which form part of the next phase of accommodation changes within the New Ways of Working programme.

The works will also include increased IT capacity, storage facilities, provision of a back-up generator for the IT suite and fit-out works for the former Fountains café area later in the year if required.

RES 2 – Civic Centre Clock Tower Repairs (slippage £0.11M)

Slippage due to updated phasing of works

The scheduled works to the clock tower are now anticipated to complete during May and the slippage therefore represents the residual balance of works costs and fees. Final costs are still anticipated to be within the original approved budget.

RES 3 – Works to Enable Accommodation Strategy (slippage £0.23M)

Slippage due to updated phasing of works

This scheme was approved by Cabinet on 15th July 2014 to enable further accommodation changes to be implemented within the overall accommodation strategy. In order to achieve the tight timescales to vacate OGS and Castle Way only essential works to facilitate occupation of the Civic were completed within 2014/15 leaving the balance of works to be undertaken after the moves had taken place. These remaining works are primarily to facilitate increased capacity and re-configuration of office space and implementation has already commenced as part of the next phase of accommodation changes within the New Ways of Working programme. Some of the works have already been provided for within the Office Accommodation scheme and any additional works will be covered by this new scheme during 2015/16. The remaining budget on this scheme is intended to cover works required in future years to cover further accommodation changes as required e.g. the impact of the current service property review and potential vacation of additional buildings.

RES 3 – Oaklands School Site Demolition (slippage £0.90M)

Slippage pending agreement of final account

The demolition works on site are now complete with the final position on the scheme subject to payment of retention and fees. As a result the remaining balance on the scheme will slip into 2015/16 and a final position will be reported as part of the next update of the capital programme.

SchemeNo	Scheme Description	Original Budget 2015/16	Slippage from 2014/15	Rephasing into 2014/15	Revised Budget 2015/16
		£000's	£000's	£000's	£000's
Children's Services Portfolio					
E9031	Schools Devolved Capital	0	0	(58)	(58)
E9054	Academies Management	69	23	0	92
E9058	Bitterne Park 6th Form	0	242	0	242
E8185	Civil Service Sports Ground	10	48	0	58
E7220	Early Years Expansion Programme	534	110	0	644
E8160	ICT Harnessing Technology Grant	0	28	0	28
E5004	Primary Review P2 - Kaneshill Primary School	0	2	0	2
E5005	Primary Review P2 - Shirley Warren Primary	139	13	0	152
E5007	Primary Review P2 - Moorlands Primary School	0	1	0	1
E5011	Primary Review P2 - Fairisle Infant & Nursery	227	0	(16)	211
E5017	Primary Review P2 - Heathfield Junior School	700	0	(1)	699
E5018	Primary Review P2 - Sholing Junior	683	20	0	703
E5019	Primary Review P2 - Tanners Brook Junior	250	0	(147)	103
E5024	BMW Management	0	5	0	5
E5026	Expansion of Bevois Town Primary	0	31	0	31
E5027	Expansion of St Johns Primary & Nursery	1,500	0	(8)	1,492
E5028	Expansion of Springwell School	0	16	0	16
E5030	Portswood Primary Expansion	365	108	0	473
E5031	Bitterne Manor Primary Expansion	119	0	(50)	69
E5032	Mansbridge Primary Expansion	0	50	0	50
E5035	Great Oaks Special School Expansion	5	77	0	82
E5036	Expansion of Springwell at Bassett Green Primary	10	0	(10)	0
E8060	Newlands Primary Rebuild Project	0	67	0	67
E9093	Increased Places at St Mary's Primary - Phase 2	40	120	0	160
E9094	Increased Places at Mount Pleasant Junior	0	26	0	26
E8134	Middlecroft Lane Loft Extension	0	3	0	3
E5022	Primary Review Contingency	0	7	0	7
E7202	Pupil Referral Unit Capital	0	14	0	14
E7203	Health and Safety Capital	300	215	0	515
E7204	School Capital Maintenance	0	58	0	58
E7205	Solar PV Resources Project	129	60	0	189
E7206	Renewable Heat Incentive	69	0	(55)	14
E7216	R&M Planned Programme 13 - 14	217	0	(114)	103
E7217	R&M Planned Programme 14-15	800	189	0	989
E7301	Bitterne Park Infant School Roof	0	1	0	1
E7307	Swaythling Primary Drainage	0	38	0	38
E9022	Schools Access Initiative	88	0	(43)	45
E9117	Asbestos Removal	0	80	0	80
E7209	Chamberlayne Capital Maintenance	0	52	0	52
E7214	Upper Shirley High	0	2	0	2
E7230	UIFSM - Kitchen	0	3	0	3
E7231	UIFSM - Dining Room	0	68	0	68
Children's Services Total		6,254	1,777	(502)	7,529
Leader's Portfolio					
L8200	Southampton New Arts Centre (SNAC)	12,527	599	0	13,126
M9430	Northern Above Bar Fees - T&G Marketing Fees	0	25	0	25
M9500	Northern Above Bar - Guildhall Square	0	197	0	197
M9870	Northern Above Bar - Tyrrell & Green Building Demolition	0	3	0	3
C620Y	QE2 Mile - Bargate Square	500	460	0	960
M9420	West Quay Phase 3 WWQ	250	34	0	284
M942B	West Quay Phase 3 Site B	37	28	0	65
M9480	Fruit & Veg (Disposal)	5	11	0	16
M9370	Town Depot	42	31	0	73
M1000	42 Northam Road - Roof	0	1	0	1
M9830	Feasibility - Major Site Devlpmnt	39	20	0	59
M9390	Royal Pier	100	24	0	124
M8000	Station Quarter Southside	182	57	0	239
Leader's Total		13,682	1,490	0	15,172

REVISED ESTIMATES 2015/16

SchemeNo	Scheme Description	Original Budget 2015/16	Slippage from 2014/15	Rephasing into 2014/15	Revised Budget 2015/16
		£000's	£000's	£000's	£000's
Environment & Transport Portfolio					
C777B	B2P Western Approach Rail	12	42	0	54
C777C	B2P Northam River Bridge	205	193	0	398
C777D	B2P - Western Approach Flyover	10	8	0	18
C777E	b2P - Vicarage Bridge	525	17	0	542
C791H	Other Bridge Works	74	3	0	77
C719B	Essential Highways Minor Works	52	125	0	177
C808B	Northam Road (Part 2) (Britannia Road junction)	0	24	0	24
C808E	Thomas Lewis Way (Stoneham Way to Dukes Road)	0	136	0	136
C808F	Romsey Road (Approach to Redbridge Lane Jctn)	0	7	0	7
C808H	Inner Avenue (Southcliffe Road to Rockstone Place)	0	20	0	20
C816E	Test Lane (Gover Road to Railway Bridge)	0	8	0	8
C816F	Lords Hill Way (Coxford Road to Lords Hill Centre West)	0	9	0	9
C816G	Mousehole Lane (O/s 124-110 Mousehole Lane (Inbound))	0	17	0	17
C816J	Newtown Road (Tickleford Drive to City Boundary)	0	9	0	9
C816K	Olive Road (Aldermoor Road to Coxford Road)	0	16	0	16
C816P	Banister Road (Land Rover Garage to Archers Road/Carlton Rd Jctn)	0	20	0	20
C817M	Crookham Road (Burghclere Road to Sparsholt Road)	0	6	0	6
C817N	Cunard Avenue (Gurney Road to Janson Road)	0	34	0	34
C817Q	Dolton Road (Rownhams Road to Kennedy Road)	0	44	0	44
C824C	Pedestrian Enhancements	99	84	0	183
C814Q	College Street	0	10	0	10
C814R	Hanley Road	0	24	0	24
C814S	Belle Moor Rd (part)	0	11	0	11
C814T	Prince of Wales Avenue	0	189	0	189
C814U	Perran Road	0	10	0	10
C814V	Cheviot Road (K& F)	0	126	0	126
C814W	Cromer Road	0	79	0	79
C9120	Highways Improvements (Developer)	0	64	0	64
C920A	Highways Maintenance Risk Fund	80	60	0	140
C920B	Highways Maintenance Compensation Event Fund	0	18	0	18
C723E	Second Avenue Millbrook Cycle Scheme	0	2	0	2
C724A	Legible Bus Networks (S106)	0	10	0	10
C550E	Improved Safety 2013/14 - Engineering	0	12	0	12
C716N	School Travel Plan Measures	78	0	(15)	63
C716P	Central Station Canopy Extension	0	170	0	170
C717C	District Schemes Programme	0	22	0	22
C717N	Estate Regeneration - Transport Policy Contribution	66	10	0	76
C717Q	Athelston Road	10	0	(3)	7
C718K	RTI Upgrade Phase 3 (S106)	36	0	(1)	35
C718Q	Cleaner Bus Transport Fund	0	699	0	699
C718Z	Motor Cycle Parking	38	0	(2)	36
C890A	City Centre Urban Realm	0	56	0	56
C890R	Above Bar Carriageway Resurfacing	0	10	0	10
C890D	Platform Road and Gyrotories Advanced Design	18	3	0	21
C890G	Platform Road – Town Quay Design	16	33	0	49
C890H	Platform for Prosperity Queens Terrace	0	287	0	287
C890K	Platform Road Detailed Design	0	8	0	8
C890L	Platform Road Construction	63	9	0	72
C892B	Centenary Quay - Design & Assessment	0	19	0	19
C892D	Woolston District Centre Improvement Scheme	0	1,087	0	1,087
C893B	North of Station - Phase 2	4,435	0	(91)	4,344
C230A	Digital Radio Service	0	3	0	3
C269M	Dock Gate 20 - Contingency	0	7	0	7
C273B	Itchen Bridge Toll Automation Construction Stage	0	21	0	21
C273C	Itchen Bridge Toll Automation Delivery Supervision	50	18	0	68
C2720	Replacement of the Cremators	0	42	0	42
C240D	Scanning the property Register/Accessibility	0	19	0	19
Environment & Transport Total		5,867	3,960	(112)	9,715

REVISED ESTIMATES 2015/16

SchemeNo	Scheme Description	Original Budget 2015/16	Slippage from 2014/15	Rephasing into 2014/15	Revised Budget 2015/16
		£000's	£000's	£000's	£000's
City Services Portfolio					
J4430	Weston Shore Improvements Phase 2	50	1	0	51
J4340	Hinkler Green Green Flag Improvements Yr 2010/11	0	1	0	1
J427H	Freemantle Lake Park Improvements Yr 2009-11	0	3	0	3
J4310	Deep Dene Improvements	0	12	0	12
J4370	Park Code for Green Space	0	22	0	22
J4440	Sports Centre Water Supply Upgrade	30	0	(4)	26
J4460	Cedar Lodge Open Space	0	17	0	17
J4480	Green Park	0	2	0	2
J4500	Lordsdale Greenway	0	5	0	5
J4510	Mansbridge Open Space	0	2	0	2
J4520	Riverside Park	40	0	(1)	39
J4540	Sullivan Recreation Ground	0	2	0	2
J4560	Westwood Greenway	0	3	0	3
J4570	Mayfield Park Improvements	0	26	0	26
J814B	St James Park - Implementation	0	13	0	13
J8100	Mobile Working for P & C Frontline	0	7	0	7
J8240	Parks Safety Improvements Yrs 2009-11	0	2	0	2
E3001	Houndwell Park Play Area	0	5	0	5
E3011	Deep Dene Play Area	0	25	0	25
E3025	Bitterne Precinct Play Area	0	1	0	1
C2921	Weekly Collection Support Scheme	50	4	0	54
City Services Total		170	153	(5)	318
Adult Services Portfolio					
R9330	National Care Standards and H&S Work	162	9	0	171
R9340	Replacement of Appliances and Equipment	20	2	0	22
R9700	Common Assessment Framework	148	61	0	209
R9720	Residential Homes fabric furnishing CQC	3	6	0	9
R9750	Paris 5.1 Upgrade	170	81	0	251
Adult Services Total		503	159	0	662
Housing & Sustainability Portfolio					
G6550	Estate Regeneration Cumbrian Way	0	33	0	33
G6580	Estate Parking Improvements	100	196	0	296
G4310	Green Projects	377	2	0	379
G4620	Handyperson Service	0	20	0	20
G4490	Insulation and Fuel Poverty Initiatives	0	48	0	48
G4650	Disabled Facilities Grants approved in 2013/14	0	81	0	81
G4670	Disabled Facilities Grants approved in 2014/15	300	195	0	495
C242C	Awareness Raising/Developing Community Resilience	0	11	0	11
C242D	Property Level Surveys	0	4	0	4
C242E	Implementation of Property Level Measures	0	244	0	244
C242F	Understanding The Risk Reduction Measures	0	20	0	20
C242G	Project Management	0	10	0	10
C2430	Repair & Renew Grants (Flood Recovery)	0	99	0	99
C2520	Salix Energy Efficiency Measures	0	50	0	50
C257G	Lighting Upgrades Salix Works	0	40	0	40
C257I	Insulation Salix Works	0	43	0	43
C257P	Salix Non Office Buildings	0	5	0	5
Housing & Sustainability Total		777	1,101	0	1,878

REVISED ESTIMATES 2015/16

SchemeNo	Scheme Description	Original Budget 2015/16	Slippage from 2014/15	Rephasing into 2014/15	Revised Budget 2015/16
		£000's	£000's	£000's	£000's
<u>Leisure Portfolio</u>					
L7000	Guildhall Refurbishment	200	13	0	213
L1440	Tudor House Museum Phase 1	0	5	0	5
L8260	Tudor House Museum Phase 2 Implementation	0	50	0	50
L1010	Bargate Monument Repairs	240	0	(1)	239
L6791	Lordshill Playing Field Drainage	162	12	0	174
L1000	Oaklands Swimming Pool Feasibility	5	237	0	242
L1001	Lordshill Community Hall	51	157	0	208
L8370	Woolston Library	521	371	0	892
	Leisure Total	1,179	845	(1)	2,023
<u>Resources Portfolio</u>					
M9710	Accommodation Strategy Action Programme (ASAP)	359	565	0	924
P5080	Oaklands School Site - Demolition	0	90	0	90
P5100	Desktop Refresh Programme	380	7	0	387
P5110	Civic Centre Clock Tower Repairs	0	108	0	108
P5120	Works to Enable Accommodation Strategy	1,564	234	0	1,798
	Resources Total	2,303	1,004	0	3,307
	Total Programme Slippage and Re-phasing	30,735	10,489	(620)	40,604

Note: This appendix only shows schemes in 2015/16 affected by slippage and re-phasing.
In addition some re-phasing is from years beyond 2015/16.

Appendix 3

Portfolio	Scheme No	Scheme Description	Budget 2014/15	Actual 2014/15	Variance	Total Scheme Budget	Total Scheme Spend
			£'000	£'000	£'000	£'000	£'000
Children's Services							
ECAP	Various	Academies	54	31	(23)	32,759	32,237
ECAP	E9058	Bitterne Park 6th Form	306	64	(242)	6,108	5,866
ECAP	Various	C S & L General Other	1,501	1,511	10	14,529	14,529
ECAP	E7220	Early Years Expansion Programme	225	115	(110)	900	256
ECAP	E8160	ICT Harnessing Technology Grant	29	1	(28)	1,513	1,485
ECAP	Various	Completed Schemes	101	92	(9)	2,957	2,948
ECAP	Various	Primary Review Phase 2	1,811	1,739	(72)	25,593	20,641
ECAP	Various	School Expansion Programme - Phase 3	321	308	(13)	830	308
ECAP	E8060	Newlands Primary Rebuild Project	227	160	(67)	7,921	7,854
ECAP	Various	Primary Review	802	637	(165)	3,195	2,990
ECAP	Various	Safeguarding	77	0	(77)	228	151
ECAP	Various	School Capital Maintenance	2,735	2,212	(523)	11,775	9,402
ECAP	Various	Secondary School Capital Maintenance	560	685	125	4,152	4,277
ECAP	Various	Universal Infant Free School Meals	441	360	(81)	441	360
Children's Services Total			9,190	7,913	(1,277)	112,901	103,304
Leader's							
MCAP	Various	Cultural Quarter	3,750	2,926	(824)	29,835	15,918
MCAP	Various	Heart of the City	2,064	1,542	(522)	10,271	3,247
MCAP	M9480	Fruit & Veg (Disposal)	12	1	(11)	25	9
MCAP	Various	Other Areas	28	7	(21)	78	8
MCAP	M9390	Royal Pier	47	23	(24)	812	388
MCAP	M8000	Station Quarter Southside	80	23	(57)	415	63
Leader's Total			6,055	4,565	(1,490)	41,654	19,778

SCHEME BUDGET VARIANCES 2014/15

Portfolio	Scheme No	Scheme Description	Budget	Actual	Variance	Total	Total
			2014/15	2014/15		Scheme	Scheme
			£'000	£'000	£'000	£'000	£'000
<u>Environment & Transport</u>							
CCAP	C2100	Purchase of vehicles	2,997	2,997	0	7,072	7,072
CCAP	C230A	Digital Radio Service	52	49	(3)	132	129
CCAP	Various	Planning	49	30	(19)	64	42
CCAP	C2410	Mobile Working	0	0	0	50	2
CCAP	C269M	Dock Gate 20 - Contingency	7	0	(7)	7	0
CCAP	Various	Itchen Bridge Toll Automation	79	40	(39)	1,114	1,025
CCAP	C2720	Replacement of the Cremators	42	0	(42)	1,758	1,716
CCAP	Various	Cycling Improvements	710	743	33	3,557	2,359
CCAP	Various	Public Transport	2,857	2,777	(80)	6,726	6,066
CCAP	Various	Improved Safety	178	154	(24)	860	571
CCAP	Various	Sustainable Travel	305	141	(164)	719	402
CCAP	Various	Accessibility	365	358	(7)	880	597
CCAP	Various	Congestion Reduction	1,374	655	(719)	3,436	1,716
CCAP	Various	Other Highways	527	487	(40)	1,353	1,031
CCAP	Various	B2P Bridge Scheme	3,123	2,862	(261)	4,269	3,336
CCAP	C791H	Other Bridge Works	30	27	(3)	1,083	926
CCAP	Various	Principal Roads	1,348	1,066	(282)	4,108	1,870
CCAP	Various	Classified Roads	1,201	1,108	(93)	3,254	1,128
CCAP	Various	Unclassified Roads	1,457	1,282	(175)	4,966	2,169
CCAP	Various	Unclassified Roads - Carriageway Resurfacing	1,300	851	(449)	1,300	851
CCAP	C820D	SWMP Implementation Works	0	14	14	262	276
CCAP	C881B	St Nameplates	0	0	0	712	702
CCAP	Various	City Centre Improvements	324	234	(90)	925	835
CCAP	Various	Platform for Prosperity	5,966	5,626	(340)	12,123	11,566
CCAP	Various	Centenary Quay	1,238	132	(1,106)	1,386	280
CCAP	Various	North of Station	2,214	2,395	181	7,088	2,834
CCAP	C9120	Highways Improvements (Developer)	461	397	(64)	2,617	2,553
CCAP	Various	Highways Maintenance Risk Fund	78	0	(78)	158	80
CCAP	Various	MSCP 10 Yr Maint. Programme	71	76	5	1,100	1,019

SCHEME BUDGET VARIANCES 2014/15

Portfolio	Scheme No	Scheme Description	Budget 2014/15	Actual 2014/15	Variance
			£'000	£'000	£'000
		Environment & Transport Total	<u>28,353</u>	<u>24,505</u>	<u>(3,848)</u>

Total Scheme Budget	Total Scheme Spend
£'000	£'000
<u>73,079</u>	<u>53,153</u>

SCHEME BUDGET VARIANCES 2014/15

Portfolio	Scheme No	Scheme Description	Budget	Actual	Variance	Total	Total
			2014/15	2014/15		Scheme	Scheme
			£'000	£'000	£'000	£'000	£'000
<u>City Services</u>							
JCAP	Various	Weekly Collection Support Scheme	38	34	(4)	2,140	2,086
JCAP	J4430	Weston Shore Improvements Phase 2	5	4	(1)	58	7
JCAP	Various	Green Flag Improvements	7	6	(1)	107	79
JCAP	Various	Deep Dene Improvements	34	0	(34)	47	13
JCAP	J8260	Community Led Local Improvement Initiatives	13	12	(1)	60	59
JCAP	J426L	Southampton Common	0	0	0	52	38
JCAP	J426H	Peartree Green	5	4	(1)	10	9
JCAP	J427H	Freemantle Lake Park Improvements Yr 2009-11	6	3	(3)	20	17
JCAP	J8200	Redbridge Wharf	1	0	(1)	20	19
JCAP	Various	Minor Parks Development Works	91	38	(53)	278	97
JCAP	J814B	St James Park - Implementation	31	18	(13)	1,702	1,689
JCAP	J8100	Mobile Working for P & C Frontline	7	0	(7)	30	23
JCAP	J8240	Parks Safety Improvements Yrs 2009-11	2	0	(2)	25	23
JCAP	Various	Play Area Improvements	205	173	(32)	602	539
JCAP	J8280	Purchase of Compact Sweepers	350	350	0	350	350
		City Services Total	795	641	(154)	5,501	5,048
<u>Adult Services</u>							
RCAP	R9330	National Care Standards and H&S Work	100	91	(9)	1,491	1,320
RCAP	R9340	Replacement of Appliances and Equipment	35	33	(2)	450	428
RCAP	R9700	Common Assessment Framework	139	78	(61)	1,278	1,069
RCAP	R9720	Residential Homes fabric furnishing CQC	39	33	(6)	390	381
RCAP	R9730	Sembal House Refurbishment	13	14	1	428	429
RCAP	R9750	Paris 5.1 Upgrade	130	48	(82)	300	48
		Adult Services Total	456	297	(159)	4,337	3,675

SCHEME BUDGET VARIANCES 2014/15

Portfolio	Scheme No	Scheme Description	Budget 2014/15	Actual 2014/15	Variance	Total Scheme Budget	Total Scheme Spend
			£'000	£'000	£'000	£'000	£'000
<u>Housing & Sustainability</u>							
GCAP	Various	Flood Risk Management	486	98	(388)	572	184
GCAP	Various	Salix Energy Efficiency Measures	229	91	(138)	243	105
GCAP	Various	Home Improvement Loans	40	18	(22)	2,042	1,643
GCAP	G4490	Insulation and Fuel Poverty Initiatives	62	14	(48)	200	152
GCAP	Various	Disabled Facilities Grant	1,366	1,080	(286)	3,997	2,044
GCAP	Various	Support to RSL's	288	59	(229)	1,637	376
		Housing & Sustainability Total	2,471	1,360	(1,111)	8,691	4,504
<u>Leisure</u>							
LCAP	L7000	Guildhall Refurbishment	200	187	(13)	594	253
LCAP	L674E	Sports Centre Athletics Track	3	0	(3)	178	175
LCAP	Various	Tudor House Museum	68	13	(55)	7,290	7,235
LCAP	Various	SeaCity	208	408	200	15,785	15,985
LCAP	Various	Arts and Heritage	0	1	1	314	58
LCAP	Various	Pitch Improvements	20	8	(12)	360	106
LCAP	Various	Other Projects	1,672	1,278	(394)	2,031	1,581
LCAP	L8370	Woolston Library	389	18	(371)	982	90
		Leisure Total	2,560	1,914	(646)	27,534	25,483
<u>Resources</u>							
PCAP	Various	Accommodation Strategy Action Programme (ASAP)	1,017	452	(565)	21,541	20,617
PCAP	P5050	2011 Mobile Working	9	9	0	145	145
PCAP	P5080	Oaklands School Site - Demolition	90	(1)	(91)	480	389
PCAP	P5090	Works to Enable Marland House Vacation	68	68	0	105	105
PCAP	P5100	Desktop Refresh Programme	217	210	(7)	1,194	210
PCAP	P5110	Civic Centre Clock Tower Repairs	351	243	(108)	351	243
PCAP	P5120	Works to Enable Accommodation Strategy	273	39	(234)	1,837	39
		Resources Total	2,025	1,020	(1,005)	25,653	21,748

SCHEME BUDGET VARIANCES 2014/15

Portfolio	Scheme No	Scheme Description	Budget 2014/15	Actual 2014/15	Variance
			£'000	£'000	£'000

Total Scheme Budget	Total Scheme Spend
£'000	£'000

<u>51,905</u>	<u>42,215</u>	<u>(9,690)</u>
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<u>299,350</u>	<u>236,693</u>
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DECISION-MAKER:	GOVERNANCE COMMITTEE COUNCIL		
SUBJECT:	REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2014/15		
DATE OF DECISION:	15 JUNE 2015 15 JULY 2015		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Mel Creighton	Tel: 023 8083 4897
	E-mail:	Mel.Creighton@southampton.gov.uk	
CFO	Name:	Andrew Lowe	Tel: 023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

The purpose of this report is to inform the Governance Committee and Council of the Treasury Management activities and performance for 2014/15 against the approved Prudential Indicators for External Debt and Treasury Management.

This report specifically highlights that:

- i. Borrowing activities have been undertaken within the borrowing limits approved by Council on 11 February 2015.
- ii. Investment returns during 2014/15 continued to remain low as a result of low interest rates, returning £0.94M, but were higher than that returned for 2013/14 (£0.65M) this is due to the switching investments from fixed term deposits into the bond market and the Local Authority's Property Fund.
- iii. The Council's strategy was to minimise borrowing to below its Capital Financing Requirement (CFR), the difference representing balances, reserves, provisions and working capital. This approach lowers interest costs, reduces credit risk and relieves pressure on the Council's counterparty list. Throughout the year, capital expenditure levels, market conditions and interest rate levels were monitored to minimise borrowing costs over the medium to longer term and to maintain stability. The differential between debt costs and investment earnings continued to be acute, resulting in the use of internal resources in lieu of borrowing often being the most cost effective means of financing capital expenditure. As a result the average rate for repayment of debt, (the Consolidated Loans & Investment Account Rate – CLIA), at 3.34%, is lower than that budgeted for but slightly higher than last year (3.32%) as we currently hold no short term debt which lowers the overall rate. No new loans were taken during the year due to slippage in the capital programme and higher than expected balances. The predicted forecast for longer term debt is a steady increase in the longer term and so new long term borrowing is likely to be taken out above this rate, leading to an anticipated increase in the CLIA. A Public

Works Loan Board (PWLB) 25 year fixed rate maturity loan is currently around 3.55%.

- iv. In achieving interest rate savings the Council has exposed itself to interest rate risk by taking out variable debt. This was and continues to be very financially favourable in current markets but does mean that close monitoring of the markets is required to ensure that the Council can act quickly should the situation begin to change. During 2015/16 the Council will continue to review the position and take action as necessary to lessen this risk through a balanced combination of:
 - longer term fixed maturity loans,
 - medium term Equal Instalment of Principle (EIP) loans which are currently cheaper than longer term fixed,
 - longer term PWLB variable loans which have the option to be fixed at very short notice for a small fee, and
 - variable rate investments to take advantage of the possibility of increasing interest rates, mainly through the use of call accounts and money market funds (MMF).
- v. Net loan debt decreased during 2014/15 from £283M to £243M as detailed in paragraph 14.
- vi. The Council can confirm that it has complied with the Prudential Indicators approved by Full Council on 11 February 2015.
- vii. In order to generate revenue savings in 2014/15, the authority has revised the MRP policy as detailed in paragraphs 45 to 48.

RECOMMENDATIONS:

GOVERNANCE COMMITTEE

It is recommended that Governance Committee:

- i) Notes the Treasury Management (TM) activities for 2014/15 and the outturn on the Prudential Indicators
- ii) Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
- iii) Note the revised MRP Policy as set out in Appendix 4.
- iv) Endorses the recommendation to Council to approve the revised MRP policy and delegates authority to the Chief Financial Officer to make any future changes which benefit the authority and to report back at the next Treasury update.

COUNCIL

It is recommended that Council:

- i) Notes the Treasury Management (TM) activities for 2014/15 and the outturn on the Prudential Indicators
- ii) Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
- iii) Approves the revised MRP policy as detailed in Appendix 4 and delegates authority to the Chief Financial Officer to make any future changes which benefit the authority and to report back at the next Treasury update.

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn position for 2014/15 forms part of the approval of the statutory accounts. The Treasury Management (TM) Strategy and Prudential Indicators are approved by Council in February each year in accordance with legislation and the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice.
2. The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and now, as a minimum, formally report on their treasury activities and arrangements to full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the TM function to scrutinise and assess its effectiveness and compliance with policies and objectives.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. No alternative options are relevant to this report

DETAIL (Including consultation carried out)

CONSULTATION

4. Not applicable

BACKGROUND

5. The Local Government Act 2003 introduced a system for borrowing based largely on self-regulation by local authorities themselves. The basic principle of the new system is that local authorities will be free to borrow as long as their capital spending plans are affordable, prudent and sustainable.
6. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).
7. The Authority's Treasury Management Strategy for 2014/15 was approved by full Authority on 12 February 2014 which can be accessed as Item 100 on the Council Meetings Agenda found via the following web link:
<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2322&Ver=4>

These were subsequently revised as part of the Council's Treasury Management Strategy Statement for 2014 on 11 February 2015, item 87.

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2469&Ver=4>

8. Overall responsibility for treasury management remains with the Council. No TM activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
9. This report:
 - a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code,
 - b) presents details of capital financing, borrowing, debt rescheduling and investment transactions,
 - c) reports on the risk implications of treasury decisions and transactions,
 - d) gives details of the outturn position on treasury management transactions in 2014/15, and
 - e) confirms compliance with treasury limits and Prudential Indicators.
10. Appendix 1 summarises the economic outlook and events in the context of which the Council operated its treasury function during 2014/15.

BORROWING REQUIREMENT AND DEBT MANAGEMENT

11. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with balances and useable reserves, are the core drivers of TM Activity.
12. The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2018/19. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing is actually required.
13. The forecast movement in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years is shown in the tables below together with activity in the year.

14.

	31-Mar-14 Actual £M	31-Mar-15 Actual £M	31-Mar-16 Current Estimate £M	31-Mar-17 Current Estimate £M	31-Mar-18 Current Estimate £M
External Borrowing:					
Fixed Rate – PWLB Maturity	139	139	189	203	218
Fixed Rate – PWLB EIP	81	69	58	46	35
Variable Rate – PWLB	35	35	35	35	35
Variable Rate – Market	9	9	9	9	9
Long Term Borrowing	264	252	291	293	297
Short Term Borrowing					
Fixed Rate – Market	10	0	30	30	30
Other Long Term Liabilities					
PFI/ Finance leases	62	67	65	62	60
Deferred Debt Charges	16	16	15	14	14
Total Gross External Debt	352	335	401	399	401
Investments:					
Managed In-House					
Deposits and monies on call and Money Market Funds	(66)	(55)	(25)	(25)	(25)
Financial Instruments	(3)	(32)	(40)	(40)	(40)
Managed Externally					
Pooled Funds		(5)	(7)	(7)	(7)
Total Investments	(69)	(92)	(72)	(72)	(72)
Net Borrowing Position	283	243	329	327	329

15.

	Balance on 01/04/2014 £M	Debt Maturing or Repaid £M	New Borrowing £M	Balance as at 31/3/2015 £M	Increase/ (Decrease) in Borrowing £M
Short Term Borrowing	10	(10)	0	0	(10)
Long Term Borrowing	264	(12)	0	252	(12)
Total Borrowing	274	(22)	0	252	(22)

Please note that these figures do not reflect the accounting convention of moving loans maturing in the year from long term to short term.

16. The Council's underlying need to borrow as measured by the CFR. As at 31/3/2015 this was estimated at £423.3M in February 2015 when the strategy was last updated, (see Table 1, Appendix 3). The Council's actual CFR at the end of the year was £427.6M. This increase was mainly due to the decision to use capital receipts to meet the principal element of debt repayments and to use unsupported borrowing to finance capital. This is in line with a revised MRP policy as detailed in Appendix 4.
17. The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
18. The PWLB remains the Council's preferred source of long term borrowing given the transparency and control that its facilities continue to provide. However due to the continued depressed market and the 'cost of carry' associated with long term

debt, the Council deferred long term borrowing and has continued to use internal resources to finance the capital programme. This will be kept under review during 2015/16 as the cost of carry is reducing.

Loans at Variable Rates

19. Included within the debt portfolio is £35M of PWLB variable rate loans which are currently averaging a rate of 0.64% which mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

Internal Borrowing

20. Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio.
21. As at the 31 March 2015 the Council used £92M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. Following the latest update of the Capital Programme, approved by Council in February 2015, the Council is expected to borrow up to £77M between 2015/16 and 2017/18. Of this £54M relates to new capital spend (£3M GF and £51M HRA) and the remainder to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances and also the need to lock back into longer term debt prior to interest rises.
22. However as short-term interest rates have remained low, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources instead.
23. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise providing that balances can support it. Our advisors assists the Authority with this 'cost of carry' and breakeven analysis.

Lender's Option Borrower's Option Loans (LOBOs)

24. The Authority holds £9M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the year, none of which were exercised by the lender, but if they were it is likely that they would be replaced by a PWLB loan.

Debt Rescheduling

25. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

Abolition of the PWLB

26. In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

INVESTMENT ACTIVITY

27. Both the CIPFA and DCLG's Investment Guidance requires the authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield.
28. The Authority has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Authority's investment balances have ranged between £66M and £125M.
29. The table below summarises activity during the year:

	Balance on 01/04/2014	Investments Repaid	New Investments	Balance as at 31/3/2015	Increase/ (Decrease) in Investment for Year	Average Life / Average Rate %	
	£M	£M	£M	£M	£M	Life	%
Short Term Investments	18	(33)	15	0	(18)		
Money Market Funds & Call Accounts	48	(438)	444	54	6	1 Day	0.50
Bonds	3	0	30	33	30	2.75 Years	2.89
Local Authority Property Fund	0	0	5	5	5	Unspecified	4.86
Total Investments	69	(471)	494	92	23		

30. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.
31. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
32. The table below summarises the nominal value of the Council's investment portfolio at 31 March 2015 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Credit Rating	Long Term		Short Term	
	2014	2015	2014	2015
	£000	£000	£000	£000
AAA	3,447	14,298	36	2,271
AA+		3,246		138
AA			50	5,932
AA-			24,315	25,380
A+			10,656	17,443
A			21,055	5,545
A-			10,325	12,549
Unrated pooled funds		5,295		
Total Investments	3,447	22,839	66,437	69,258

Credit Developments and Credit Risk Management

33. The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.
34. S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.
35. The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.
36. The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporate and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.
37. In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Authority's lending list], is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.
38. The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by

approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

39. In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, and our advisors, Arlingclose, advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.
40. The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.

Liquidity Management

41. In keeping with the DCLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. The maturity analysis of the Council's debt at 31 March 2015 can be seen in table 5 of Appendix 3.

Externally Managed Funds

42. On the 30 April 2014 the Council invested £5M in property funds which offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term. These funds are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. This investment has returned an average of £22K per month, at a published yield of 4.86%. The net asset value of the fund at 31st March was £5.3M a notional "gain" of £0.3M against initial investment. An additional £2M was invested in May 2015, this will increase our risk as the value of the fund can also go down but will be monitored very closely and appropriate steps taken.

COMPLIANCE WITH PRUDENTIAL INDICATORS

43. The Council can confirm that it has complied with its Prudential Indicators for 2014/15, approved by Full Council on 12 February 2014. The 2014/15 Treasury Strategy can be found as Item 100 on the Council Meetings Agenda found via the following web link:
<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2322&Ver=4>

These were subsequently revised as part of the Council's Treasury Management Strategy Statement for 2014 on 11 February 2015, item 87.

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=2469&Ver=4>

44. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of TM activity during 2014/15. None of the Prudential Indicators has been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. The table below summarises the Key Indicators full details can be found in Appendix 3.

Indicator	Limit	Actual at 31 March 2015
Authorised Limit for external debt £M	£704M	£335M
Operational Limit for external debt £M	£523M	£335M
Maximum external borrowing in year		£274.2M
Limit of fixed interest debt %	100%	82.6%
Limit of variable interest debt %	50%	17.4%
Limit for Non-specified investments £M	£50M	£14M

OTHER ITEMS

Minimum Revenue Provision (MRP)

45. The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP, the Council's strategy was approved as part of the 2014/15 and 2015/16 reports. However following a review of the guidance the Council has revised this (as detailed in Appendix 4) in order to achieve revenue savings.
46. Part 4 Section 23 b of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 states that capital receipts maybe used to repay the principal element of any amount borrowed by Local Authorities to fund capital expenditure.
47. Applying capital receipts to redeem borrowing will reduce the level of MRP which the council needs to set aside from revenue as a prudent provision i.e. MRP which would have otherwise been put aside to repay borrowing will be reduced by the amounts which have instead been repaid from Capital Receipts.
48. SCC have applied this policy in 2014/15 and have reflected this in the final accounts of the authority. A total of £11.5M of loan repayments have been made in 2014/15, of which a sum of £6.2M (the equivalent calculated value of MRP for 2014/15 under the authority's current MRP policy) has been funded by the set aside of Capital Receipts. This sum fully reduces the need to make a MRP contribution, funded from revenue, in 2014/15.

Local Capital Finance Company

49. It should also be noted that as an alternative to the PWLB, A Local Capital Finance Company was established in 2014 by the Local Government Association. The purpose of the company is to issue bonds on the capital markets and lend the proceeds to local authorities. In order to be able to have access to this borrowing source, it is necessary for SCC to contribute to the capital structure of the company. As a result, Council gave approval on 11 February 2015 for a contribution of £20K to be made for this purpose in 2015/16 to be met from within the capital financing charges budget. The benefit of this is that it will give an additional alternative borrowing source to the PWLB and should offer more favourable borrowing rates that compete with the rates offered by the PWLB.

Investment Training

50. The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. During 2014/15 staff attended training courses, seminars and conferences provided by our advisors (Arlingclose) and CIPFA
51. In January 2015 a training session was held by our advisors and made available to all Members to provide an insight into the current issues affecting TM and the basis of the TM strategy being presented.

RESOURCE IMPLICATIONS

Capital / Revenue

52. The report is a requirement of the TM Strategy, which was approved at Council on 12 February 2014 and further revised on 11 February 2015.
53. The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account. The interest cost of financing the Authority's loan debt amounted to £9.3M in 2014/15 compared with an approved estimate of £11.2M, a saving of £1.9M. This is mainly due to variable interest rates being lower than those estimated and the deferment of any new borrowing.
54. In addition interest earned on temporary balances invested externally is credited to the Income and Expenditure account. In 2014/15 £0.93M was earned against a budget of £0.3M, an increase of £0.63M and was mainly due to the use of Money Market Funds and call accounts which currently pay a higher rate than short term fixed rates and the investment in bonds and LAPF as detailed in paragraphs 27 - 43 above.
55. The expenses of managing the Authority's loan debt consist of brokerage and internal administration charges. These are pooled and borne by the HRA and General Fund proportionately to the related loan debt. Debt management expenses amounted to £0.12M in 2014/15 compared to an estimate of £0.15M. This decrease was mainly due a reduction in brokerage costs due to fewer treasury deals being undertaken and deferring PWLB borrowing to 2015/16 resulting in a saving on commission paid in year.

Property/Other

56. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

57. Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System. From 1 April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1)(a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.

Other Legal Implications:

58. None

POLICY FRAMEWORK IMPLICATIONS

59. This report has been prepared in accordance with the CIPFA Code of Practice on TM.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Appendices

1.	2014/15 Economic Background
2.	Summary of Interest Rates Movement During 2014/15
3.	Compliance with Prudential Indicators During 2014/15
4.	Revised MRP Policy
5.	Glossary of Treasury Terms

Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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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.	<u>TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2014/15 to 2016/17 – Council 12 February 2014</u>
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2014/15 ECONOMIC BACKGROUND

Growth and Inflation: The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market: The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy: The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough the weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

Agenda Item 11

SUMMARY OF INTEREST RATES MOVEMENT DURING 2014 Appendix 2

The average, minimum and maximum rates quoted in the tables below correspond to the rates during the financial year rather than those in the tables below which are for specific dates.

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2014	0.50	0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014	0.50	0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014	0.50	0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014	0.50	0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014	0.50	0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014	0.50	0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014	0.50	0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014	0.50	0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014	0.50	0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014	0.50	0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015	0.50	0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015	0.50	0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015	0.50	0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
Average	0.50	0.39	0.44	0.43	0.50	0.67	0.95	1.09	1.38	1.79
Maximum	0.50	0.50	0.62	0.43	0.51	0.81	1.00	1.38	1.77	2.26
Minimum	0.50	0.24	0.36	0.42	0.46	0.56	0.84	0.80	0.96	1.18
Spread	--	0.26	0.26	0.01	0.05	0.25	0.16	0.58	0.81	1.08

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28
Low		1.28	1.91	2.38	2.94	3.08	3.03	3.02
Average		1.47	2.56	3.28	3.85	3.96	3.93	3.92
High		1.69	3.07	3.86	4.42	4.52	4.49	4.48

Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	2.09	2.92	3.85	4.24	4.42	4.49
30/04/2014	166/14	2.12	2.93	3.82	4.20	4.38	4.45
31/05/2014	206/14	2.08	2.84	3.68	4.08	4.27	4.36
30/06/2014	248/14	2.29	3.01	3.76	4.12	4.30	4.38
31/07/2014	294/14	2.32	3.02	3.73	4.05	4.21	4.28
31/08/2014	334/14	2.13	2.75	3.40	3.72	3.89	3.95
30/09/2014	378/14	2.18	2.82	3.48	3.79	3.97	4.05
31/10/2014	424/14	1.97	2.59	3.29	3.66	3.86	3.96
30/11/2014	465/14	1.79	2.31	2.96	3.32	3.54	3.65
31/12/2014	508/14	1.72	2.23	2.82	3.17	3.39	3.50
31/01/2015	042/15	1.59	1.98	2.45	2.77	2.99	3.10
28/02/2015	082/15	1.78	2.29	2.84	3.16	3.38	3.48
31/03/2015	126/15	1.62	2.10	2.67	2.99	3.21	3.31
	Low	1.58	1.94	2.40	2.72	2.95	3.06
	Average	1.99	2.61	3.31	3.66	3.85	3.94
	High	2.39	3.13	3.89	4.26	4.43	4.50

Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate	
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR	
01/04/2014	0.55	0.56	0.57	1.45	1.46	1.47	
30/04/2014	0.55	0.56	0.57	1.45	1.46	1.47	
31/05/2014	0.55	0.57	0.58	1.45	1.47	1.48	
30/06/2014	0.59	0.61	0.67	1.49	1.51	1.57	
31/07/2014	0.58	0.61	0.69	1.48	1.51	1.59	
31/08/2014	0.58	0.62	0.72	1.48	1.52	1.62	
30/09/2014	0.64	0.68	0.75	1.54	1.58	1.65	
31/10/2014	0.61	0.63	0.68	1.51	1.53	1.58	
30/11/2014	0.58	0.64	0.69	1.48	1.54	1.59	
31/12/2014	0.60	0.62	0.66	1.50	1.52	1.56	
31/01/2015	0.59	0.60	0.65	1.49	1.50	1.55	
28/02/2015	0.61	0.61	0.66	1.51	1.51	1.56	
31/03/2015	0.62	0.62	0.66	1.52	1.52	1.56	
	Low	0.55	0.56	0.57	1.45	1.46	1.47
	Average	0.59	0.61	0.66	1.49	1.51	1.56
	High	0.64	0.68	0.76	1.54	1.58	1.66

COMPLIANCE WITH PRUDENTIAL INDICATORS DURING 2014/15

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

The Council complied with all of its Prudential Indicators. Details of the performance against key indicators are shown below:

1. Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. If in any of these years there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with gross external debt. The CFO reports that the Authority had no difficulty meeting this requirement in 2014/15, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital. The Council's current strategy is only to borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment. The tables below details our expected debt position and the year-on-year change to the CFR:

	2014/15 Approved	2014/15 Actual	2015/16 Current Estimate	2016/17 Current Estimate	2017/18 Current Estimate
	£M	£M	£M	£M	£M
Borrowing	183.4	191.6	187.8	177.6	171.1
Finance leases and Private Finance Initiative	66.8	66.9	64.8	62.3	60.4
Transferred debt	15.6	15.6	15.0	14.4	13.8
Total General Fund Debt	265.8	274.1	267.6	254.3	245.3
HRA	157.5	153.5	182.6	191.4	188.5
Total	423.3	427.6	450.2	445.7	433.8

Capital Financing Requirement	2013/14 Approved £M	2013/14 Actual £M	2014/15 Current Estimate £M	2015/16 Current Estimate £M	2016/17 Current Estimate £M
Balance B/F	433.2	433.2	425.0	444.6	438.9
Capital expenditure financed from borrowing (inc PFI)					
<i>General Fund (GF)</i>	11.7	10.9	11.7	3.8	1.1
<i>HRA</i>	8.9	0.0	26.2	5.7	10.2
GF Temporary Funding (Repayment)	(5.9)	(5.9)	(3.6)	0.0	0.0
HRA Voluntary Repayment of Debt	(5.6)	(5.6)	(5.3)	(5.3)	(5.3)
GF Revenue provision for debt Redemption.	(9.0)	(4.5)	(6.9)	(7.1)	(7.4)
Movement in Other Long Term Liabilities	(3.1)	(3.1)	(2.5)	(2.8)	(3.3)
Cumulative Maximum External Borrowing Requirement	430.2	425.0	444.6	438.9	434.2

2. Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The Chief Financial Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2014/15; borrowing at its peak was £335M.

3. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate

Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2014/15 (%)	Maximum during 2014/15 (%)
Upper Limit for Fixed Rate Exposure	100	83
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	50	17
Compliance with Limits:	Yes	Yes

4. Total Principal Sums Invested for Periods Longer Than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days and the limit is set at £50M. In 2014/15 the actual principal sum invested for periods longer than 364 days peaked at £14M, (compared to £25M in 2013/14). This was lower than the previous year due to the suspension of the rolling yearly programme of investments following advice from our advisors and introduction into the bond markets.

5. Maturity Structure of Fixed Rate Borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period.

	Lower Limit	Upper Limit	Actual Fixed Debt as at 31/3/2015	Average Fixed Rate as at 31/3/2015	% of Fixed Rate as at 31/3/2015	Compliance with set Limits?
	%	%	£M	%		
Under 12 months	0	45	9.38	2.44	4	Yes
12 months and within 24 months	0	45	0.00	0.00	0	Yes
24 months and within 5 years	0	50	0.00	0.00	0	Yes
5 years and within 10 years	0	75	34.86	2.02	14	Yes
10 years and within 15 years	0	75	69.61	3.01	28	Yes
15 years and within 20 years	0	75	0.00	0.00	0	Yes
20 years and within 25 years	0	75	10.00	4.68	4	Yes
25 years and within 30 years	0	75	5.00	4.60	2	Yes
30 years and within 35 years	0	75	0.00	0.00	0	Yes
35 years and within 40 years	0	75	42.00	3.99	17	Yes
40 years and within 45 years	0	75	50.60	3.62	20	Yes
45 years and within 50 years	0	75	31.25	3.56	12	Yes
50 years and above	0	100		0.00	0	Yes
			252.7	3.20	100	

Please note: the TM Code Guidance Notes (Page 15) states: "The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, this should be treated as a right to require payment". For this indicator, the next option dates on the Council LOBO loans will therefore determine the maturity date of the loans.

6. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels. Capital expenditure has been and will be financed or funded as follows:

Capital Expenditure and Financing	2014/15 Approved £M	2014/15 Actual £M	2015/16 Approved £M	2016/17 Approved £M	2017/18 Approved M
General Fund	49.0	49.1	46.8	5.6	0.6
HRA	34.9	30.2	65.5	46.6	42.0
Total Expenditure	83.9	79.3	112.3	52.2	42.6
Capital receipts	11.8	6.2	14.0	6.2	3.2
Government Grants	32.3	26.8	28.0	4.3	0.0
Contributions	4.2	4.3	4.1	0.2	1.4
Major Repairs Allowance	17.9	18.9	19.0	19.4	19.7
Revenue	12.3	6.6	12.0	10.9	16.1
Total Financing	78.5	62.8	77.1	41.0	40.4
Temporary Financing	0.0	0.0	(1.0)	(2.7)	0.0
Unsupported borrowing	5.4	16.5	36.2	13.9	2.2
Total Funding	5.4	16.5	35.2	11.2	2.2
Total Financing & Funding	83.9	79.3	112.3	52.2	42.6

7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The upper limit for this ratio is currently set at 10% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the approved capital programme adjusted for actual borrowing made in year.

This indicator is not so relevant for the HRA, especially since the introduction of self financing, as financing costs have been built into their 30 year business plan, including the voluntary payment of MRP. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Approved %	2014/15 Actual %	2015/16 Approved %	2016/17 Approved %	2017/18 Approved %
General Fund	6.96%	5.76%	6.83%	7.57%	8.40%
HRA	16.33%	14.61%	14.93%	15.55%	15.33%
Total	10.39%	9.07%	10.17%	11.27%	11.62%

8. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the authority adopted the principles of best practice.

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management Code* on 19 February 2003 and has subsequently agreed further updates.

9. HRA Limit on Indebtedness

Local authorities are required to report the level of the HRA CFR compared to the level of debt which is imposed (or subsequently amended) by the DCLG at the time of implementation of self-financing.

HRA Summary of Borrowing	2014/15 Approved £M	2014/15 Actual £M	2015/16 Approved £M	2016/17 Approved £M	2017/18 Approved £M
Brought Forward	158.6	158.6	157.5	186.8	195.8
Maturing Debt	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)
New borrowing	4.0	0.0	34.4	14.1	2.4
Carried forward	157.5	153.5	186.8	195.8	193.1
HRA Debt Cap (as prescribed by CLG)	199.6	199.6	199.6	199.6	199.6
Headroom	42.1	46.1	12.8	3.8	6.5

10. Summary

As indicated in this report none of the Prudential Indicators have been breached.

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Revised Minimum Revenue Provision Policy for 2014/15

1. Introduction

- 1.1. Where the Council finances capital expenditure by debt it must set aside resources to repay that debt in later years. The amount charged to revenue for the repayment of this debt is known as the Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council tax payers.
- 1.2. Until 2007/08, the basis of calculation for the MRP was specified in legislation. From 2007/08 onwards there has been no statutory minimum and the requirement is simply for local authorities to make a prudent level of provision, and the government has instead issued statutory guidance, which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance gives local authorities more freedom to determine what would be a prudent level of MRP.
- 1.3. The statutory guidance recommends that local authorities draw up a statement of their policy on the MRP, for approval by Full Council in advance of the year to which it applies. Any subsequent revisions to that policy should also be approved by Full Council.
- 1.4. This document revises and replaces the original MRP policy for 2014/15 which was approved by Full Council in February 2014.

2 Details of DCLG Guidance on MRP

- 2.1. The statutory guidance issued by DCLG sets out the broad aims of a prudent MRP policy as being "to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant." It then identifies four options for calculating MRP and recommends the circumstances in which each option should be used, but states that other approaches are not ruled out.
- 2.2. The four MRP options available are:
 - Option 1: Regulatory Method - is the previous statutory method, which is calculated as 4% of the Council's General Fund Capital Financing Requirement, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003.
 - Option 2: CFR Method - Option 2 differs from Option 1 only in that the smoothing factors are removed. Option 2 has been included by DCLG to provide a simpler calculation for those councils for whom it would have a minimal impact, but the

draft guidance does not expect it to be used by councils for whom it would significantly increase MRP.

- Option 3: Asset Life Method – MRP is charged over the expected useful life of the asset either in equal instalments or using an annuity method whereby the MRP increases in later years
- Option 4: Depreciation Method - MRP is charged over the expected life of the asset in accordance with depreciation accounting. This would mean that the rate at which the MRP is charged could increase (or, more rarely, decrease) from year to year.

The guidance clearly states this does not preclude other prudent methods to provide for the repayment of debt principal.

- 2.3 Under the statutory guidance, it is recommended that local authorities use Options 3 or 4 for all prudential borrowing, and for all borrowing to fund capitalised expenditure (such as capital grants to other bodies and capital expenditure on IT developments). Authorities may use any of the four options for MRP for their remaining borrowing to fund capital expenditure.
- 2.4. For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that one prudent approach would be for local authorities to make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year. However the guidance also mentions that Option 3 could be used for this type of debt.
- 2.5 The guidance also allows authorities to take a MRP Holiday where assets do not become operational for perhaps 2 or 3 years or longer. It proposes that MRP would not be charged until the year following the one in which the asset became operational.
- 3. Details of Statute** - Part 4 Section 23 b of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
 - 3.1 In deciding on the appropriate level of MRP to charge and the most appropriate method of financing the capital programme, the Council needs to have regard to the wider legislation regarding the use of capital receipts.
 - 3.2 Statute gives local authorities the option to apply capital receipts to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.

3.3. Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years.

4. Revised 2014/15 MRP Policy

For 2014/15 it is recommended the Council adopt the following MRP policy:

1. MRP will be charged utilising option 1 and 2 for pre 2008 General Fund debt
2. MRP will be charged utilising option 3 for assets which have been funded from prudential borrowing.
3. MRP will only be charged in the year following the asset becoming operational.
4. If capital receipts are utilised to repay debt in year, the value of MRP chargeable will be reduced by the value of the receipts utilised.
5. Whether an annuity or equal instalment method is adopted for option 3 will be dependent on the most financially beneficial method as determined by the Chief Financial Officer
6. For PFI and Finance lease liabilities an MRP charge will be made to match the value of any liabilities that have not been funded from capital receipts.
7. The Chief Finance Officer will determine annually the most prudent use of Capital Receipts, taking into account forecasts for future expenditure and the generation of further receipts.
8. There is no requirement for the HRA to make debt repayments but it has opted to make voluntary repayments relating to debt inherited due to HRA self financing settlement and provision has been made within the business plan to show that it can pay down the remaining debt over the life of the 30 year business plan.
9. Guidance relating to option 1 allows for debt transferred from Hampshire County Council relating to the Council activities prior to becoming a unitary authority in 1997 to be excluded from the MRP calculation as this is being repaid to the HCC.
10. Any major revisions to this policy will be presented to Full Council for approval.

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GLOSSARY OF TREASURY TERMS

<p>Amortised Cost Accounting:</p> <p>Values the asset at its purchase price, and then subtracts the premium/adds back the discount linearly over the life of the asset. The asset will be valued at par at its maturity.</p>
<p>Authorised Limit (Also known as the Affordable Limit):</p> <p>A statutory limit that sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities).</p>
<p>Balances and Reserves:</p> <p>Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.</p>
<p>Bail - in Risk:</p> <p>The Following the financial crisis of 2008 when governments in various jurisdictions injected billions of dollars into banks as part of bail-out packages, it was recognised that bondholders, who largely remained untouched through this period, should share the burden in future by making them forfeit part of their investment to "bail in" a bank before taxpayers are called upon.</p> <p>A bail-in takes place before a bankruptcy and under current proposals, regulators would have the power to impose losses on bondholders while leaving untouched other creditors of similar stature, such as derivatives counterparties. A corollary to this is that bondholders will require more interest if they are to risk losing money to a bail-in.</p>
<p>Bank Rate:</p> <p>The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.</p>
<p>Basis Point:</p> <p>A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. If rates were at 2.50%, and rose by 0.25%, or 25 basis points, the new interest rate would be 2.75%. In the bond market, a basis point is used to refer to the yield that a bond pays to the investor. For example, if a bond yield moves from 5.45% to 5.65%, it is said to have risen by 20 basis points. The usage of the basis point measure is primarily used in respect to yields and interest rates, but it may also be used to refer to the percentage change in the value of an asset such as a stock.</p>
<p>Bond:</p> <p>A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The repayment date is also set at the onset but can be traded during its life, but this will affect the price of a bond which</p>

may vary during its life.
<p>Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.</p>
<p>Capital Financing Requirement (CFR): The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.</p>
<p>Certainty Rate: The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLB) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.</p>
<p>CD's: Certificates of Deposits with banks and building societies</p>
<p>Capital Receipts: Money obtained on the sale of a capital asset.</p>
<p>Comprehensive Spending Review (CSR): Comprehensive Spending Review is a governmental process in the United Kingdom carried out by HM Treasury to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources. Spending Reviews typically focus upon one or several aspects of public spending while the CSR focuses upon each government department's spending requirements from a zero base (i.e. without reference to past plans or, initially, current expenditure).</p>
<p>Constant Net Asset Value (CNAV) These are Money Market Funds which maintain a stable price of £1 per share when investors redeem or purchase shares which mean that that any investment will not fluctuate in value.</p>
<p>Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.</p>
<p>Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.</p>
<p>Counterparty List: List of approved financial institutions with which the Council can place investments with.</p>
<p>Covered Bond: Covered bonds are debt securities backed by cash flows from mortgages or public sector</p>

<p>loans. They are similar in many ways to asset-backed securities created in securitisation, but covered bond assets remain on the issuer's consolidated balance sheet (usually with an appropriate capital charge). The covered bonds continue as obligations of the issuer (often a bank); in essence, the investor has recourse against the issuer and the collateral, sometimes known as "dual recourse."</p>
<p>CPI : Consumer Price Index – the UK's main measure of inflation.</p>
<p>Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.</p>
<p>Department for Communities and Local Government (DCLG) : The DCLG is the UK Government department for Communities and Local Government in England. It was established in May 2006 and is the successor to the Office of the Deputy Prime Minister, established in 2001.</p>
<p>Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the DMADF. All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.</p>
<p>Diversification /diversified exposure: The spreading of investments among different types of assets or between markets in order to reduce risk.</p>
<p>European Investment Bank (EIB): The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. It is a "policy driven bank" whose shareholders are the member states of the EU. The EIB uses its financing operations to support projects that bring about European integration and social cohesion.</p>
<p>Federal Reserve: The US central bank. (Often referred to as "the Fed").</p>
<p>Floating rate notes (FRNs) : Floating rate notes (FRNs) are debt securities with payments that are reset periodically against a benchmark rate, such as the three-month Treasury bill or the three-month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.</p>
<p>FTSE 100 Index: The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. It is one of the most widely used stock indices and is seen as a gauge of business prosperity for business regulated by UK company law. The index is maintained by the FTSE Group, a subsidiary of the London Stock Exchange Group.</p>

<p>General Fund:</p> <p>This includes most of the day-to-day spending and income.</p>
<p>Gilts:</p> <p>Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.</p>
<p>Gross Domestic Product (GDP):</p> <p>Gross Domestic Product measures the value of goods and services produced within a country. GDP is the most comprehensive overall measure of economic output and provides key insight as to the driving forces of the economy.</p>
<p>The G7:</p> <p>The G7, is a group consisting of the finance ministers of seven industrialised nations: namely the US, UK, France, Germany, Italy, Canada and Japan. They are seven of the eight (China excluded) wealthiest nations on Earth, not by GDP but by global net wealth. The G7 represents more than the 66% of net global wealth (\$223 trillion), according to Credit Suisse Global Wealth Report September 2012.</p>
<p>IFRS:</p> <p>International Financial Reporting Standards.</p>
<p>International Labour Organisation (ILO):</p> <p>The ILO Unemployment Rate refers to the percentage of economically active people who are unemployed by ILO standard and replaced the Claimant Unemployment Rate as the international standard for unemployment measurement in the UK.. Under the ILO approach, those who are considered as unemployed are either out of work but are actively looking for a job or out of work and are waiting to start a new job in the next two weeks. ILO Unemployment Rate is measured by a monthly survey, which is called the Labour Force Survey in United Kingdom. Approximately 40,000 individuals are interviewed each month, and the unemployment figure reported is the average data for the previous three months.</p>
<p>LIBID:</p> <p>The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks). It is "the opposite" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). Whilst the British Bankers' Association set LIBOR rates, there is no correspondent official LIBID fixing.</p>
<p>LIBOR:</p> <p>The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.</p>
<p>LOBO:</p> <p>Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO</p>

facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility. The upshot of this is that on the option exercise date, the lender could propose an extreme fixed rate, say 20 per cent, which would effectively force the repayment of the underlying facility. The borrower's so called 'option' is only the inalienable right to accept or refuse a new deal such as a fixed rate of 20 per cent.

Maturity:

The date when an investment or borrowing is repaid.

Maturity Structure / Profile:

A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.

Minimum Revenue Provision (MRP):

An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds (MMF):

An open-end mutual fund which invests only in money markets. These funds invest in short term debt obligations such as short-dated government debt, certificates of deposit and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. The fund's net asset value remains constant (eg £1 per unit) but the interest rate does fluctuate. These are liquid investments, and therefore, are often used by financial institutions to store money that is not currently invested. Risk is extremely low due to the high rating of the MMFs; many have achieved AAA credit status from the rating agencies:

- **Constant net asset value (CNAV)** refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a net asset value (NAV), or value of a share of the fund, at €1/£1/\$1 and calculate their price to two decimal places known as "penny rounding". Most CNAV funds distribute income to investors on a regular basis (distributing share classes), though some may choose to accumulate the income, or add it on to the NAV (accumulating share classes). The NAV of accumulating CNAV funds will vary by the income received.
- **Variable net asset value (VNAV)** refers to funds which use mark-to-market accounting to value some of their assets. The NAV of these funds will vary by a slight amount, due to the changing value of the assets and, in the case of an accumulating fund, by the amount of income received.

This means that a fund with an unchanging NAV is, by definition, CNAV, but a fund with a NAV that varies may be accumulating CNAV or distributing or accumulating VNAV.

Multilateral Development Banks:

See Supranational Bonds below.

Municipal Bonds Agency

An independent body owned by the local government sector that seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities.

<p>Non Specified Investment:</p> <p>Investments which fall outside the CLG Guidance for Specified investments (below).</p>
<p>Operational Boundary:</p> <p>This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.</p>
<p>Premiums and Discounts:</p> <p>In the context of local authority borrowing,</p> <ul style="list-style-type: none"> (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. <p>If on a £1 million loan, it is calculated that a £150,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,150,000 plus accrued interest. If on a £1 million loan, it is calculated* that a £50,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £950,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p><i>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</i></p>
<p>Property:</p> <p>Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.</p>
<p>Prudential Code:</p> <p>Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.</p>
<p>Prudential Indicators:</p> <p>Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators</p>
<p>Public Works Loans Board (PWLB):</p> <p>This is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.</p>
<p>Quantitative Easing (QE):</p>

<p>In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It <i>“does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller’s bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy”</i>. Source: Bank of England.</p>
<p>Repo Rate:</p> <p>The interest rate at which the central bank in a country repurchases government securities (such as Treasury securities) from commercial banks. The central bank raises the repo rate when it wishes to reduce the money supply in the short term, while it lowers the rate when it wishes to increase the money supply and stimulate growth.</p>
<p>Revenue Expenditure:</p> <p>Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.</p>
<p>RPI:</p> <p>Retail Prices Index is a monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are updated using the RPI index.</p>
<p>(Short) Term Deposits:</p> <p>Deposits of cash with terms attached relating to maturity and rate of return (Interest).</p>
<p>Specified Investments:</p> <p>Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.</p>
<p>Supported Borrowing:</p> <p>Borrowing for which the costs are supported by the government or third party.</p>
<p>Supranational Bonds:</p> <p>Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.</p>
<p>Treasury (T) -Bills:</p> <p>Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.</p>
<p>Temporary Borrowing:</p> <p>Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.</p>

Treasury Management Code:

CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP):

Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

Unsupported Borrowing:

Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Variable Net Asset Value (VNAV):

Redemptions and investments in Money Market Funds (MMF's) are on the basis of the fund's Net Asset Value (NAV) per share. The NAV of any money market fund is the market value of the fund's assets minus its liabilities and is stated on a per share basis. The net value of the assets held by an MMF can fluctuate, and the market value of a share may not always be exactly the amount that has been invested.

Yield:

The measure of the return on an investment instrument.

DECISION-MAKER:	COUNCIL		
SUBJECT:	COLLECTION FUND OUTTURN 2014/15		
DATE OF DECISION:	15 JULY 2015		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

The purpose of this report is to inform Council of the actual payments that have been made to and from the Collection Fund during the financial year 2014/15, explaining any variations that affect the overall surplus or deficit on the account.

From 1 April 2013 the arrangements in respect of Non Domestic Rates (NDR) changed from a position where the Authority purely collects business rates on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major Precepting bodies (Hampshire Fire and Rescue Authority (HFRA)). This requires the Collection Fund (Surplus)/ Deficit to be split between that arising from Council Tax and that arising from NDR.

The Collection Fund was in surplus by £24.2M in 2014/15 which was made up as follows:

	£M	£M
Council Tax – (Surplus)		(0.6)
NDR (Surplus)		(6.0)
Contributions towards Previous years NDR deficit		
Southampton City Council	(8.6)	
Central Government – DCLG	(8.8)	
Hampshire Fire & Rescue Service	(0.2)	
		(17.6)
Net In Year Surplus on the Collection Fund		(24.2)

The impact of any surplus or deficit on future Council Tax calculations is outlined in paragraphs 24 and 25.

The Collection Fund was in surplus by £24.2M (including contributions to previous year's deficit paragraph 12) in 2014/15. This is an increase of £0.5M when compared to the revised estimate which anticipated a surplus of £23.7M (see Appendix 1). The

slight increase in the surplus compared to the estimate is due to:

- a decrease in the Council Tax bad debt provision (£0.1M);
- decreased income from Council Tax Payers £0.5M;
- decreased income from NDR Ratepayers £0.3M;
- increased transitional payments to DCLG £0.3M; and
- a decrease in both the NDR bad debt provision and the appeals provision of (£0.8M) and (£0.7M) respectively.

A complete variance analysis is included in paragraphs 15 to 23.

RECOMMENDATIONS:

It is recommended that council:

- (i) Notes the accounts for the Collection Fund in 2014/15 as shown in Appendix 1.

REASONS FOR REPORT RECOMMENDATIONS

1. The report and recommendations have been prepared as part of the statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. No alternative options are relevant to this report

DETAIL (Including consultation carried out)

CONSULTATION

3. Not Applicable.

FINANCIAL SUMMARY

4. Income received into the Collection Fund comes from two sources, NDR and Council Tax. Until 2013/14 income received from NDR payers was paid in full to the Central Government NDR Pool after a contribution had been made to the City Council's General Fund to meet the costs of collection. The net effect of NDR on the Collection Fund was therefore neutral. However, from 2013/14, due to the localisation of Business Rates under the Business Rate Retention (BRR) Scheme, NDR variances now have an impact on the Collection Fund Outturn.
5. The remainder of the income received by the Collection Fund is the income due from Council Tax Payers. Some households are entitled to various allowances to the standard rate including the Single Person Discount and Council Tax Benefit that reduce the amount that they are required to pay. Until 2013/14 the cost of Council Tax Benefit was met in full by Government subsidy. However, from 2013/14 onwards this is no longer the position due to ending of Council Tax Benefit and the introduction of a Local Council Tax reduction scheme.
6. No local Council Tax discounts have applied in 2014/15.
7. The income due from Council Tax Payers is intended to match the expenditure on the Collection Fund. Expenditure consists of the amounts that are paid to those bodies that are entitled to make a demand (precept) on the Fund, together with a provision for bad debts. For Southampton, the City Council, the Hampshire Police Authority and the Hampshire Fire and Rescue Authority

(HFRA) levied a precept on the Fund in 2014/15.

OUTTURN POSITION 2014/15

8. The overall position on the Collection Fund at 31 March 2015 is illustrated in Appendix 1. This shows that a surplus of £24.2M has been made in the year. After adjusting for the deficit brought forward from 2013/14 of £15.2M, a surplus of approximately £9.1M is to be carried forward i.e. a Council Tax Surplus of £3.2M and an NDR Surplus of £5.8M.

Council Tax

9. When setting the Council Tax for 2015/16 in February 2015, it was estimated that there would be a Council Tax surplus of £3.7M to be carried forward. This estimated surplus was taken into account in setting the 2015/16 Council Tax and was shared by the City Council, the Police & Crime Commissioner for Hampshire and the HFRA in proportion to the precepts levied by each authority in 2014/15, the actual surplus was £3.2M.
10. This leaves a deficit of £0.5M that will be carried forward to 2015/16 to be shared between the precepting authorities in proportion to the precepts levied in this year. Southampton City Council's element will then be taken into account when the Council Tax for 2016/17 is set

NDR

11. The changes explained previously affect the retention of the income collected and also carries a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment. Risks of non-collection include rates billed from 1 April, those not yet collected from prior years and appeals that were not resolved before that date.
12. The underestimate of the starting appeals provision, along with a substantial reduction to Southampton's rateable value, resulted in an NNDR Collection Fund deficit in 2013/14 of approximately £17.8M of which Southampton's share is £8.7M (49%). The Council opted not to spread the impact of the appeals provision over five years, as allowed under the recently laid regulations, resulting in a safety net payment to the Council of approximately £1.6M.
13. When setting the Council Tax for 2015/16 in February 2015, it was estimated that there would be an NDR surplus of £4.8M to be carried forward. This estimated surplus was taken into account in setting the 2015/16 Council Tax and was shared by the City Council, Central Government, and the HFRA, in the following proportions 49%, 50%, and 1% respectively, the Council's share was £2.4M.
14. NDR income collected was £0.3M less than expected but this was offset by reduced expenditure compare to that estimated of £1.3M. The surplus of £1M will be carried forward and Southampton City Council's element will then be taken into account when setting the 2016/17 Council Tax.

EXPLANATION OF VARIANCES

Council Tax

15. Income due from Council Tax payers has decreased slightly by £551,000 (0.61%) compared to the revised estimate of £90.9M which is not material.
16. The other variance on Council Tax is the Bad Debt Provision. All authorities are required to make provision for Council Tax bills that may have to be written off if full payment is not received. The level of provision required is reviewed each year based on the total level of arrears outstanding. An analysis of the status of the arrears as at 31 March 2015 suggests that the following provisions are required:

Year	£M
Prior Years	0.5
2008/09	0.5
2009/10	0.6
2010/11	0.7
2011/12	1.0
2012/13	1.2
2013/14	1.9
2014/15	1.8
Total	8.2

17. The bad debt provision available at the end of the year was £6.3M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £8.2M a contribution of £1.9M needs to be made to the Provision for Bad Debts in the year, a decrease of £0.1M compared to the revised estimate. When setting the estimate a prudent assessment was made of the impact of the economic climate on the arrears position and the resulting bad debt provision required has been more favourable.
18. The bad debt provision of £8.2M compares to a total arrears figure of £11.2M which represents 73% of the total amount outstanding. The total level of arrears also needs to be seen in the context that over the last eight years total debts of £754.8M have been raised.

NDR

19. Income due from NDR Ratepayers has decreased by £0.3M (0.3%) compared to the revised estimate of £104.2M which is not material.
20. There was also a variance on the NDR Bad Debt Provision. All authorities are required to make provision for NDR rate payer's bills that may have to be written off if full payment is not received. The level of provision required is reviewed each year based on the total level of arrears outstanding. An analysis of the status of the arrears as at 31 March 2015 suggests that the following provisions are required:

Year	£M
Prior Years	0.2
2011/12	0.2
2012/13	0.3
2013/14	0.3
2014/15	0.5
Total	1.5

21. The bad debt provision available at the end of the year was £0.8M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £1.5M a contribution of £0.7M needs to be made to the Provision for Bad Debts in the year, a decrease of £0.8M compared to the revised estimate. When setting the estimate a prudent assessment was made of the impact of the economic climate on the arrears position and the resulting bad debt provision required has been more favourable.
22. In addition to the Bad Debt Provision all authorities are required to make a provision for NDR Appeals for the current and prior years. Appeals lodged before 31 March 2015 can be backdated to April 2010. The level of provision is based on historic levels of refunds made as a proportion of the net rate yield per the NNDR1 i.e. Business Rates estimate for the year. An analysis of the appeals provision as at 31 March 2015 suggests that the following provisions are required:

Year	£M
Prior Years	0.6
2010/11	2.4
2011/12	2.2
2012/13	2.4
2013/14	3.5
2014/15	6.5
Total	17.6

23. The appeals provision available at the year end was £11.1M after allowing for prior year refunds of £4.1M. To achieve the historic level of refunds of £17.6M a contribution of £6.5M was required, a net increase of £2.4M. This gives favourable variances of £0.3M and £0.4M when compared to the revised estimates for 2014/15 Appeals Provision and Prior Years Provision respectively.

FUTURE YEAR'S COUNCIL TAX

24. The deficit of £0.5M on the Council Tax element of the Collection Fund, as explained in paragraphs 9 to 10 will be shared between Southampton City Council the Police & Crime Commissioner for Hampshire and the HFRA, based on the precepts levied on the Fund in 2015/16. Southampton's share of this deficit which amounts to £0.4M will be taken into account when setting the 2016/17 Council Tax.
25. The surplus of £1.0M on the NNDR element of the Collection Fund, as explained in paragraphs 11 to 14 will be shared between Southampton (49%), Central Government (50%) and Hampshire Fire and Rescue Authority (1%). Southampton's share £0.5M of this surplus will be taken into account when setting the 2016/17 Council Tax.

RESOURCE IMPLICATIONS

Capital/Revenue

26. The revenue implications are contained in the main report and there are no capital implications.

Property/Other

27. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

28. The Collection Fund Outturn Report is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

29. None

POLICY FRAMEWORK IMPLICATIONS

30. The report has been prepared as part of the statutory accounts.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Appendices

1.	Collection Fund 2014/15
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Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) 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.		

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Agenda Item 12

Appendix 1

Original Estimate 2014/15 £M	Council Tax	Revised Estimate 2014/15 £M	Actual 2014/15 £M	Variance Adverse / 2014/15 £M
	<u>Income</u>			
(87.7)	Income due from Council Tax Payers	(90.7)	(90.2)	0.5
	Transfers to General Fund - Hardship Fund	(0.2)	(0.2)	0.0
(87.7)		(90.9)	(90.4)	0.6
	<u>Expenditure</u>			
73.5	Southampton City Council Precept	73.5	73.5	0.0
8.8	Hampshire Police Authority Precept	8.8	8.8	0.0
3.5	Fire & Rescue Services Precept	3.5	3.5	0.0
2.1	Distribution of previous year's surplus	2.1	2.1	0.0
1.9	Provision for Bad Debts CT	1.9	1.9	(0.1)
89.8		89.8	89.7	(0.1)
	2.1 CT - Deficit / (Surplus) for the Year	(1.1)	(0.6)	0.5
(2.1)	CT - Deficit / (Surplus) Brought Forward	(2.6)	(2.6)	0.0
0.0	CT Deficit / (Surplus) Carried Forward	(3.7)	(3.2)	0.5
	NDR			
	<u>Income</u>			
(103.0)	Income from NDR Payers	(104.2)	(103.8)	0.3
	<u>Apportionment of Previous Years Deficit</u>	0.0		
(8.6)	SCC	(8.6)	(8.6)	0.0
(8.8)	DCLG	(8.8)	(8.8)	0.0
(0.2)	Hampshire Fire & Rescue Authority	(0.2)	(0.2)	0.0
(120.6)		(121.8)	(121.5)	0.3
	<u>Expenditure</u>			
0.2	Payment to DCLG Transitional Arrangements	1.2	1.5	0.3
46.5	Payments to DCLG	46.5	46.5	0.0
45.6	SCC - NDR Dist to General Fund	45.6	45.6	0.0
0.9	Hampshire Fire & Rescue NDR Distrib.	0.9	0.9	0.0
0.3	Allowance to General Fund for NDR Collection	0.3	0.3	0.0
1.5	Provision for Bad Debts NDR	1.5	0.7	(0.8)
8.0	Appeals Provision 14/15	6.8	6.5	(0.4)
0.0	Appeals Provision Prior Years	(3.8)	(4.1)	(0.3)
103.0		99.2	97.9	(1.3)
(17.6)	NDR Deficit / (Surplus) for the Year	(22.6)	(23.6)	(1.0)
17.6	NDR - Deficit / (Surplus) Brought Forward	17.8	17.8	0.0
0.0	NDR Deficit / (Surplus) Carried Forward	(4.8)	(5.8)	(1.0)
0.0	Total Deficit Deficit / (Surplus) Carried Forward	(8.6)	(9.1)	(0.5)
	Summary Table			
2.1	Council Tax Deficit/(Surplus) for Year	(1.1)	(0.6)	0.5
(17.6)	NDR Deficit/(Surplus) for Year	(22.6)	(23.6)	(1.0)
(15.6)		(23.7)	(24.2)	(0.5)
(2.1)	Council Tax Deficit/(Surplus) B/fwd	(2.6)	(2.6)	0.0
17.6	NDR Deficit/(Surplus) B/Fwd	17.8	17.8	0.0
15.6		15.2	15.2	0.0
0.0	Total Deficit Deficit / (Surplus) Carried Forward	(8.6)	(9.1)	(0.5)

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Agenda Item 13

DECISION-MAKER:	COUNCIL			
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2014/15			
DATE OF DECISION:	15 JULY 2015			
REPORT OF:	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY			
<u>CONTACT DETAILS</u>				
AUTHORS:	Name:	Alan Denford Nick Cross	Tel:	023 8083 3159 023 8083 2241
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Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	Mark.Heath@southampton.gov.uk		
STATEMENT OF CONFIDENTIALITY				
None				

BRIEF SUMMARY

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2014/15.

The actual level of net revenue spending in 2014/15 was in line with the budget. The final outturn shows a deficit for the year of £278,800. This was a budgeted deficit equivalent to the specific revenue carry forward requests approved by Council as part of the HRA outturn report in July 2014.

The outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was an adverse variance for the year of £2,011,500. The whole of this variance has been balanced by a reduction in the revenue allocated to fund the capital programme.

The revised HRA working balance at 31 March 2015 of £2,000,000 meets the minimum requirement for the HRA, as approved by Cabinet and Council in February 2012.

Total capital expenditure in 2014/15 was £30,225,000 compared to the February 2015 approved budget of £34,929,000, which represents an 86.5% spend level. Capital financing that was not used during the year, mainly due to scheme slippage, will be available to fund expenditure in 2015/16.

The expenditure has made significant improvements to the condition of the Council's housing stock, which include replacing lifts, providing new heating systems and boilers, installing new communal door entry systems, refurbishing supported housing schemes and completing significant numbers of new kitchens and bathrooms.

Capital expenditure has also been focused on carrying out works within our estates and neighbourhoods. This includes the decent neighbourhoods' programme and estate regeneration.

RECOMMENDATIONS:

It is recommended that Council:

- (i) Notes the HRA revenue outturn for the financial year 2014/15, as set out in Appendix 1, and the working balance at the end of the year of £2,000,000.
- (ii) Notes the HRA capital outturn for the financial year 2014/15, as summarised in paragraph 12 of this report.
- (iii) Approves the amendments to schemes in the HRA Capital Programme for 2015/16, as set out in Appendix 3, to take account of the slippage and re-phasing in 2014/15.
- (iv) Notes the 2014/15 capital financing, as set out in paragraph 17 of this report, and that the use of available resources will be reviewed as part of the next full update of the HRA Business Plan later in 2015.

REASONS FOR REPORT RECOMMENDATIONS

1. The HRA revenue and capital outturn for 2014/15 forms part of the Council's statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. This report outlines the actual level of spend on the HRA for the financial year 2014/15. The figures have been prepared in accordance with statutory accounting principles. There are, therefore, no other options relating to the HRA outturn position for Members to consider. However, Members could decide not to amend the 2015/16 Capital Programme to reflect the 2014/15 outturn. However, such a decision could result in approved capital schemes either not being completed, or overspending due to contractual commitments.

DETAIL (Including consultation carried out)

Background

3. The Housing Revenue Account records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to over 19,000 Southampton tenants and leaseholders and their families. This provides for the allocation, management, maintenance and improvement of Council homes in the City.
4. The HRA Capital Programme deals with all capital expenditure on Council Housing and related environmental works. The main focus is to continue the investment in the estate regeneration programme, as well as delivering safe, wind and weather tight homes, which are warm and energy efficient. There is also a focus on providing modern facilities and well maintained communal facilities.

5. This report sets out the actual level of revenue spending on day to day services provided to council tenants recorded in the HRA in 2014/15. The report compares the latest estimate for 2014/15 with the final expenditure for the year.
6. This report also summarises the HRA Capital Programme outturn for 2014/15 and recommends adjustments to the 2015/16 capital programme to take account of actual spending in 2014/15.
7. Local Authorities with a retained housing stock are required to publish the HRA revenue outturn in accordance with CIPFA's Service Reporting Code of Practice. The HRA outturn for 2014/15 can be found in this form in the authority's Annual Statement of Accounts.

Consultation

8. The HRA revenue and capital outturn outlined in this report represents the actual level of spending in 2014/15. The financial information has been prepared in accordance with statutory accounting principles. The adjustments to the capital programme for 2015/16 are directly related to performance in 2014/15. Although there is no statutory duty to consult, the information in this report has been discussed at meetings of the Tenant Resources Group, which comprises tenants from across the city, and their input to this report is acknowledged with thanks.

Revenue Outturn

9. The actual level of net revenue spending in 2014/15 was in line with the budget. The final outturn shows a deficit for the year of £278,800. This was a budgeted deficit equivalent to the specific revenue carry forward requests approved by Council as part of the HRA outturn report in July 2014. However, the outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was a deficit for the year of £2,011,500. Much of this was due to repairing storm damage over and above what would usually be expected, as detailed in Appendix 2. The whole of this deficit has been balanced by a reduction in the revenue allocated to fund the capital programme.
10. After this adjustment the HRA Revenue Summary, attached at Appendix 1, shows an increase in expenditure of £219,900 (0.3%) and an equivalent increase in income of £219,900 (0.3%). An explanation of the main variances can be found at Appendix 2.
11. The HRA Business Plan, agreed by Cabinet and Council in February 2012, set a minimum working balance for the HRA each year of £2,000,000. The revised HRA working balance at 31 March 2015 meets this minimum requirement.

Capital Outturn

12. A summary of capital expenditure for the HRA is shown in the following table:

Section	Approved	Actual	Over/(Under	
	Estimate	Outturn	spend)	
	2014/15	2014/15	£000	%
	£000	£000		
Safe Wind and Weather Tight	5,211	5,378	167	3.2
Modern Facilities	14,460	13,701	(759)	(5.2)
Well Maintained Communal Facilities	7,343	5,199	(2,144)	(29.2)
Warm & Energy Efficient	2,606	1,700	(906)	(34.8)
Estate Regeneration	2,424	2,044	(380)	(15.7)
New Build	2,885	2,203	(682)	(23.7)
TOTAL	34,929	30,225	(4,704)	(13.5)

13. Appendix 3 shows the variances in every scheme in the capital programme. Appendix 4 provides an explanation of significant variances.
14. The expenditure detailed above has made significant improvements to the condition of the Council's housing stock, which includes essential major repairs, various environmental / neighbourhood improvements and the provision of new kitchens and bathrooms.

15. Some amendments to the HRA Capital Programme, which take account of the variations in 2014/15, are recommended for approval in this report (see Appendix 3). The impact of these changes on the 2015/16 approved programme is shown in the following table. Although every effort will be made to complete as much of the programme as possible, it must be recognised this is the largest and most ambitious annual capital programme proposed to date. Making funding available in 2015/16 ensures as many schemes as possible can be commenced promptly, while any that cannot be started in 2015/16 can be carried over to the following year.

	£000
February 2015 Approved Programme 2015/16	65,546
Previously Approved Changes	1,419
Current Programme 2015/16	66,965
Spending delayed into 2015/16 from 2014/15	5,074
Spending brought forward into 2014/15 from 2015/16	(1,744)
Proposed Programme 2015/16	70,295

N.B. £40,000 of spending was brought forward into 2014/15 from 2016/17.

16. In addition, Appendix 3 shows variations on completed capital schemes. There are under spends of £193,000 and over spends of £198,000, leading to a net over spend of £5,000 on existing projects, which will be addressed in the September 2015 capital update.

Capital Financing

17. The final financing of the capital spending in 2014/15 is shown below:

	Resources Used £000
Grants/Contributions	2,102
Depreciation	18,939
Direct Revenue Financing	5,544
Capital Receipts	3,640
Borrowing	0
TOTAL	30,225

18. The main changes to the resources are explained below:
- No borrowing was required to finance capital expenditure in the year, due to slippage in the programme. However, borrowing of £38,000,000 would be needed to deliver the full proposed programme for 2015/16. This can be achieved within the government 'debt cap' while still preserving the Council approved £6,000,000 borrowing headroom.
 - As described in paragraph 9, the combined depreciation and direct revenue financing (DRF) contribution to the funding of capital expenditure has been reduced to balance the deficit in the outturn for day to day service expenditure and income items. The deficit was principally due to additional expenditure on responsive repairs following the winter storms of 2013/14. It is anticipated that this work will reduce the draw on the capital programme in future years.
 - There was an increase in the useable capital receipts from right-to-buy sales in 2014/15 which has enabled the forward capital programme to remain fully funded.
19. The funding changes in 2014/15 mainly arise from timing issues. The HRA business plan assumes that part of the annual revenue income will be used to fund capital expenditure. The level of this revenue funding has been reduced in 2014/15, and a greater proportion of the capital programme will be funded from the increases in the useable capital receipts from right-to-buy sales. In overall terms, there has not been any material change in the resources needed to fund the Programme.

Overall position

20. In summary:
- The HRA working balance remains at the minimum value of £2,000,000.
 - The capital programme for 2015/16 will be increased by £3,330,000 due to the slippage and re-phasing from 2014/15.
 - There was no material change in the overall level of resources needed to fund the HRA Capital Programme.
21. The effect of these and other changes will be considered as part of the next full update of the HRA Business Plan later in 2015.

RESOURCE IMPLICATIONS

Capital/Revenue

22. These are contained in the detail of the report.

Property/Other

23. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

24. The requirement to maintain a Housing Revenue Account is set out in the Local Government and Housing Act 1989 and the requirement to publish final accounts is set out in the Accounts and Audit Regulations 2003.

Other Legal Implications:

25. None.

POLICY FRAMEWORK IMPLICATIONS

26. The HRA revenue and capital outturn for 2014/15 forms part of the Council's overall Statutory Accounts. The details in this report reflect the actual level of spending on day to day services that were provided to council tenants and the actual level of capital spending in 2014/15. This is compared to the approved budget for the year.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	HRA Revenue Summary Outturn 2014/15
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2014/15
4.	Capital Variances

Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out	No
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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. None	

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APPENDIX 1

HOUSING REVENUE ACCOUNT

Latest Agreed Budget 2014/15		Actual Outturn 2014/15	Variance
£'000		£'000	£'000
<u>SUMMARY</u>			
<u>EXPENDITURE</u>			
10,455.0	Responsive Repairs	14,442.4	3,987.4
5,637.2	Housing Investment	5,928.4	291.2
<u>16,092.2</u>	Total Repairs	<u>20,370.8</u>	<u>4,278.6</u>
162.0	Rents Payable	238.6	76.6
69.8	Debt Management	45.5	(24.3)
21,053.7	Supervision & Management	20,067.5	(986.2)
6,224.2	Interest Repayments	5,276.1	(948.1)
5,282.7	Principal Repayments	5,117.5	(165.2)
17,939.8	Depreciation	18,939.0	999.2
8,555.1	Direct Revenue Financing of Capital	5,544.4	(3,010.7)
<u>75,379.5</u>	TOTAL EXPENDITURE	<u>75,599.4</u>	<u>219.9</u>
<u>INCOME</u>			
71,591.8	Dwelling Rents	71,481.1	110.7
1,291.9	Other Rents	1,177.6	114.3
<u>72,883.7</u>	Total Rental Income	<u>72,658.7</u>	<u>225.0</u>
1,616.2	Service Charge Income	1,540.0	76.2
575.9	Leaseholder Service Charges	1,096.2	(520.3)
24.9	Interest Received	25.7	(0.8)
<u>75,100.7</u>	TOTAL INCOME	<u>75,320.6</u>	<u>(219.9)</u>
<u>(278.8)</u>	SURPLUS/(DEFICIT) FOR YEAR	<u>(278.8)</u>	<u>0.0</u>
<u>BALANCES</u>			
2,278.8	Working Balance B/Fwd	2,278.8	0.0
(278.8)	Surplus/(deficit) for year	(278.8)	0.0
<u>2,000.0</u>	WORKING BALANCE C/FWD	<u>2,000.0</u>	<u>0.0</u>

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HOUSING REVENUE ACCOUNT

KEY ISSUES – REVENUE OUTTURN 2014/15

Responsive Repairs - £3,987,400 over spend (38.1%)

The volume of repairs reported increased significantly as a result of the exceptional and stormy weather conditions in the winter of 2013/14 and the backlog of repairs that were carried forward from that financial year. In headline terms, the Council received an additional 6,000 repair requests compared to the number anticipated over the period. The weather related repairs involved a significant amount of complex work to the fabric of approximately 200 properties. It is anticipated that, over time, this will reduce the draw on the capital programme for this stock in future years. In addition, a significant amount of weather related responsive repairs work was carried out by transferring internal staff resources from the capital programme to work on responsive repairs.

The total cost, incurred in 2014/15, in repairing damage caused by the previous winter storms is estimated at £2,500,000. This has been funded from a reduction in Direct Revenue Financing (DRF) for the capital programme, as costs were moved from the capital programme to revenue, and from the related increase in leaseholder service charges.

In addition to the weather related expenditure detailed above and in order to deal with the backlog of jobs, there were additional costs for materials and contractors. The contractors' costs increased largely as a result of the significant additional scaffolding that was required. This additional expenditure, estimated at £1,500,000, has been funded from savings found elsewhere in the wider HRA budget, for example the under spends in interest payments and in the provision for bad debts which are both described below.

Housing Investment - £291,200 over spend (5.2%)

The material variations in the Housing Investment budget were as follows:

Water Quality Testing and Treatment (over spend of £208,000)

In order to maintain water quality within Council walk-up blocks to updated legal requirements, it was necessary to implement a programme of water quality inspection, repairs, monitoring and testing across the city. This was not originally budgeted for.

Gas Servicing (under spend of £166,200)

Continuing investment in the replacement of gas boilers in the Capital Programme has led to a reduction in the expenditure on boiler servicing with fewer breakdown callouts, due to the possession of new equipment warranties.

Electrical Testing Works (over spend of £116,000)

This over spend is related to costs for the testing of void dwellings. This expenditure, in future, will be correctly coded to the appropriate Responsive Repairs budgets.

Health & Safety Works (over spend of £211,500)

There have been some issues correctly allocating the actual expenditure between Health & Safety Works and Responsive Repairs and this has resulted in more work being allocated to the former budget than expected.

Asbestos Works (under spend of £76,800)

The cost of dealing with asbestos found in kitchens and bathrooms was included in the contract for replacement kitchens and bathrooms. The expenditure is now incurred by these capital schemes rather than being charged to revenue.

Supervision and Management - £986,200 under spend (4.7%)

This heading covers the costs of all services provided to tenants other than repairs. The main variations were as follows:

Provision for Bad Debts (under spend of £629,700)

2014/15 was the second of a 3 year plan to increase the staffing compliment of the Housing Income Team. These additional early intervention staff have assisted in identifying tenants with financial difficulties and taking early steps to assist these tenants before debts can accumulate. The result of this work is that only 24% of the budgeted contribution to the bad debt provision was required leaving a £629,700 favourable variance for the year.

Block Utilities (under spend of £208,200)

The communal heating and lighting electricity costs for housing blocks were under budget mainly due to the increased accuracy of the charges against prudent estimates.

Housing Management (under spend of £145,900)

The additional staff for the Housing Income Team were budgeted to start from 1 April 2014 but, due to phasing in the recruitment process, a number of these staff did not start until later in the year.

Other budget variances

Interest Repayments - under spend £948,100 (15.2%)

The original budget assumption was that borrowing of £23,000,000 would be required on the 1st October 2014 to fund the capital programme. As a result of the re-phasing in the capital programme, as detailed in the February 2015 capital update, the estimated borrowing was reduced to £4,100,000 on 1st March 2015. However, as the capital outturn position showed further slippage, no borrowing was required to finance the expenditure in the year. The combined effect of these changes to the borrowing assumptions has resulted in a reduction of £948,100 in interest payments.

Total Income – £219,900 increase (0.3%)

There has been an increase in leaseholder service charges following the increase in the revenue major works to housing blocks, which are charged back to the Council's leaseholders. This increase has been partially offset by a loss of rental income from an increased number of void properties and from the revised implementation date of the new block cleaning charge as part of the warden review.

Depreciation / Direct Revenue Financing of Capital - £2,011,500 reduction (7.6%)

This combined revenue contribution to the funding of capital expenditure has been reduced by £2,011,500. This has contributed to balancing the increases in expenditure in Responsive Repairs detailed above.

For the capital programme, increases in useable capital receipts from the number of right-to-buy sales in 2014/15 has enabled future planned capital expenditure to remain fully funded without this draw on revenue expenditure.

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HCAP CAPITAL OUTTURN 2014/15

APPENDIX 3

Project Ref	Project Name	February Update	Changes	Approved Budget	Actual	Variance	Slippage	Rephasing	Underspend/ Saving	Overspend
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Estate Regeneration									
1257	Cumbrian Way	18	0	18	8	(10)	(10)	0	0	0
1258	Exford Parade	32	0	32	23	(9)	(10)	0	0	0
1259	Laxton Close	40	0	40	19	(21)	(21)	0	0	0
1260	Meggeson Avenue	24	0	24	19	(5)	(5)	0	0	0
1514	Estate Regeneration City Wide Framework	117	0	117	102	(15)	(15)	0	0	0
1613	Weston Shopping Parade Redevelopment	145	0	145	122	(23)	(23)	0	0	0
1817	Townhill Park: Estate Regeneration Framework	40	0	40	0	(40)	(40)	0	0	0
1930	Townhill Park: Site Assembly	890	0	890	780	(110)	(110)	0	0	0
2064	Weston Shopping Parade housing & Comm facilities	289	0	289	311	22	0	22	0	0
2084	Townhill Park: Design and Contract P1, 2 and 3	829	0	829	660	(169)	(169)	0	0	0
	Total Estate Regeneration	2,424	0	2,424	2,044	(380)	(402)	22	0	0
	New Build									
1265	LA New Build - Borrowdale Road	10	0	10	10	(0)	(0)	0	0	0
1266	LA New Build - Flamborough Close	12	0	12	11	(1)	(1)	0	0	0
1267	LA New Build - Chiltern Green	11	0	11	9	(2)	(2)	0	0	0
1268	LA New Build - Grately Close	15	0	15	13	(2)	(2)	0	0	0
1269	LA New Build - Orpen Road	31	0	31	29	(2)	(2)	0	0	0
1270	LA New Build - Keynsham Road	23	0	23	23	0	0	0	0	0
1403	L.A. New Build - Leaside Way	13	0	13	13	(0)	(0)	0	0	0
1404	L.A. New Build - Cumbrian Way	51	0	51	51	(0)	(0)	0	0	0
2060	Erskine Court Rebuild	2,719	(719)	2,000	2,045	45	0	45	0	0
	Total New Build	2,885	(719)	2,166	2,203	37	(8)	45	0	0

HCAP CAPITAL OUTTURN 2014/15

APPENDIX 3

Project Ref	Project Name	February Update	Changes	Approved Budget	Actual	Variance	Slippage	Rephasing	Underspend/ Saving	Overspend
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Safe Wind & Weather Tight									
0	Golden Grove Balconies	180	0	180	24	(156)	(156)	0	0	0
0	HRA Business Case Resources	441	0	441	63	(378)	(378)	0	0	0
1226	Mobile Working Programme	341	0	341	405	64	0	0	0	64
1468	Door Entry System Replacement Programme	590	0	590	643	53	0	53	0	0
1469	Windows	299	0	299	382	83	0	83	0	0
1842	Electrical Riser Upgrades	596	0	596	148	(448)	(448)	0	0	0
1843	Roof Finish - Flat	400	0	400	523	123	0	123	0	0
1844	Structural Works.	468	0	468	429	(39)	(39)	0	0	0
1845	Roof Finish-Pitched/Structure/Gutter/Downpipes etc	140	0	140	66	(74)	(74)	0	0	0
1846	Wall Structure & Finish	410	0	410	379	(31)	(31)	0	0	0
1847	Chimney	0	0	0	11	11	0	11	0	0
1848	External Doors - Flats	131	0	131	131	0	0	0	0	0
1850	External Doors - Houses	52	0	52	52	0	0	0	0	0
1855	CESP - International Way Energy Savings Initiative	83	0	83	54	(29)	(29)	0	0	0
1851	Supported Housing 2 Storey Walkway Repairs - Current	1,000	0	1,000	1,999	999	0	999	0	0
1855	Housing Investment Database – Replacement	80	0	80	69	(11)	(11)	0	0	0
	Total Safe Wind & Weather Tight	5,211	0	5,211	5,378	167	(1,166)	1,269	0	64

HCAP CAPITAL OUTTURN 2014/15

APPENDIX 3

Project Ref	Project Name	February Update	Changes	Approved Budget	Actual	Variance	Slippage	Rephasing	Underspend/ Saving	Overspend
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Modern Facilities									
0	HHSRS - Approved	31	0	31	0	(31)	(31)	0	0	0
0	Refurbishment Blakeney Road	48	0	48	50	2	0	0	0	2
1472	Electrical System	40	0	40	43	3	0	3	0	0
1474	Programme Management Fees - Current	490	0	490	480	(10)	(10)	0	0	0
1476	Studio Conversions	32	0	32	38	6	0	0	0	6
1837	Central Heating Gas Boilers	1,700	0	1,700	1,780	80	0	80	0	0
1838	Central Heating Distrib System Inc Elec Store Htrs	150	0	150	186	36	0	36	0	0
1839	Supported Schemes Adapted Bathroom Programme	389	(74)	315	316	1	0	1	0	0
1864	Housing Refurbishment – West – Drew Smith	3,500	0	3,500	3,689	189	0	189	0	0
1865	Housing Refurbishment – East – Mitie Property Services	3,500	(379)	3,121	3,034	(87)	(87)	0	0	0
1881	Supported Kitchen - Current	2,022	0	2,022	1,722	(300)	(300)	0	0	0
1888	Disabled Adaptions	1,400	0	1,400	1,345	(55)	(55)	0	0	0
1889	Decent Homes Voids - Current	197	0	197	144	(53)	(53)	0	0	0
1934	Housing Refurbishment - Deferred Properties	96	0	96	96	0	0	0	0	0
2063	Homeless Temporary Accommodation	865	0	865	777	(88)	(88)	0	0	0
	Total Modern Facilities	14,460	(453)	14,007	13,701	(306)	(624)	309	0	9

HCAP CAPITAL OUTTURN 2014/15

APPENDIX 3

Project Ref	Project Name	February Update	Changes	Approved Budget	Actual	Variance	Slippage	Rephasing	Underspend/ Saving	Overspend
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Well Maintained Communal Facilities									
0	Small Blocks Communal Works	142	0	142	20	(122)	(122)	0	0	0
0	Floor Coverings to Communal Corridors	200	0	200	182	(18)	(18)	0	0	0
0	SCI: James Street Communal Area Works	150	0	150	150	0	0	0	0	0
0	SHAP - Current Programme	0	0	0	12	12	0	12	0	0
1215	Electronic Concierge	11	0	11	0	(11)	0	0	(11)	0
1223	Lift Refurbishment - Itchen View Estate	0	0	0	(59)	(59)	0	0	(59)	0
1233	Supported Communal Improvements - Graylings 11/12	17	0	17	12	(5)	0	0	(5)	0
1236	Supported Communal Improvements - Manston Court	13	0	13	12	(1)	(1)	0	0	0
1239	Kingsland	5	0	5	5	(0)	(0)	0	0	0
1256	DN: Millbrook Towers Improvements	150	0	150	19	(131)	(131)	0	0	0
1271	DN: Holyrood Improvements	124	0	124	109	(15)	(15)	0	0	0
1463	Communal Areas Works	100	0	100	65	(35)	(35)	0	0	0
1473	Lift Refurbishment – Ventnor Court	0	0	0	40	40	0	0	0	40
1474	DN: Northam Improvements	76	0	76	7	(69)	(69)	0	0	0
1496	DN: Millbrook Block Improvements	350	0	350	310	(40)	(40)	0	0	0
1493	THP Phase 2 MacArthur/Vanguard	338	0	338	86	(252)	(252)	0	0	0
1505	DN: Future Decent Neighbourhood Schemes	120	0	120	0	(120)	(120)	0	0	0
1517	DN: Shirley	1,527	0	1,527	1,069	(458)	(460)	2	0	0
1510	DN: Estate Improvement Programme	200	0	200	203	3	0	0	0	3
1835	Roads/Paths/Hard Standing	345	0	345	261	(84)	(84)	0	0	0
1893	DN: Leaside Way Improvements £20k	66	0	66	25	(41)	(41)	0	0	0
1953	DN: Beechfield Court	18	0	18	18	0	0	0	0	0
2017	James Street- New Lift and Lift Shaft	660	0	660	637	(23)	(23)	0	0	0
2062	Ventnor Court Central Core Refurbishment	420	0	420	312	(108)	0	0	(108)	0
2068	Weston Court Communal Works	500	0	500	364	(136)	(136)	0	0	0
2077	DN: Church Street	158	0	158	148	(10)	0	0	(10)	0
2079	Estate Parking Improvements.	398	0	398	218	(180)	(180)	0	0	0
2086	Supported Communal Improvements - Basset Green	240	0	240	183	(57)	(57)	0	0	0
2087	63-124 Rozel Court Central Core	320	0	320	321	1	0	0	0	1
2093	SCI - Milner Court Scooter Store	153	0	153	149	(4)	(4)	0	0	0
2173	Manston Court - External Lift	20	0	20	4	(16)	(16)	0	0	0
2174	1-62 Rozel Court - New Lift and Lift Shaft + Central Core	45	0	45	68	23	0	23	0	0
2207	Lift Refurbishment – Canberra Towers	22	(12)	10	10	0	0	0	0	0
2208	Lift Refurbishment – Rozel Court	100	0	100	127	27	0	0	0	27
2209	Lift Refurbishment - Sarnia Court	170	(120)	50	67	17	0	17	0	0
2210	Lift Refurbishment – Manston Court	165	(115)	50	24	(26)	(26)	0	0	0
2213	SCI: Bellamy Court Communal Area Works	20	0	20	21	1	0	1	0	0
	Total Well Maintained Communal Facilities	7,343	(247)	7,096	5,199	(1,897)	(1,831)	56	(193)	71

HCAP CAPITAL OUTTURN 2014/15

APPENDIX 3

Project Ref	Project Name	February Update	Changes	Approved Budget	Actual	Variance	Slippage	Rephasing	Underspend/ Saving	Overspend
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Warm & Energy Efficient									
0	Energy Efficiency Works	1,000	0	1,000	391	(609)	(609)	0	0	0
1826	Loft Insulation + Pipe Lagging	2	0	2	3	1	0	1	0	0
1827	Landlord Meter Conversion (1,000 properties)	1	0	1	0	(1)	(1)	0	0	0
1828	Cavity Wall Insulation	0	0	0	29	29	0	29	0	0
1829	External Wall Insulation - Kingsland Estate	715	0	715	581	(134)	(134)	0	0	0
1830	External Cladding (PRC Houses)	2	0	2	30	28	0	0	0	28
1831	External Cladding (Tower Blocks)	18	0	18	18	0	0	0	0	0
1832	Utility Supplies (Communal – Electric, Gas and Water)	338	0	338	390	52	0	53	0	0
1933	External Cladding (PRC Houses) - Current	230	0	230	256	26	0	0	0	26
2214	Thornhill District Heating Scheme	300	0	300	0	(300)	(300)	0	0	0
	Total Warm & Energy Efficient	2,606	0	2,606	1,700	(906)	(1,044)	83	0	54
	TOTAL HRA Outturn	34,929	(1,419)	33,510	30,225	(3,285)	(5,074)	1,784	(193)	198

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HOUSING REVENUE ACCOUNT

KEY ISSUES – CAPITAL OUTTURN 2014/15

The spend for the year is **£30,225,000**. This can be compared with the budgeted figure for 2014/15 of **£34,929,000** resulting in an under spend of **£4,704,000**, which represents a percentage under spend against budget of **13.5%**.

SIGNIFICANT ISSUES FOR THE HOUSING REVENUE ACCOUNT (HRA)

The SIGNIFICANT key issues for the HRA are:

Well Maintained Communal Facilities

HRA 1 – Ventnor Court Central Core Refurbishment (under spend £108,000)

This project has been completed under budget

The final bill for this project has now been paid and the final expenditure is lower than anticipated. This is due, in part, to specification changes to the scheme at the start of 2014/15 which reduced the overall cost.

MAJOR ITEMS of SLIPPAGE/RE-PHASING

The major items of slippage/re-phasing are:

Estate Regeneration

HRA 2 - Townhill Park: Site Assembly (slippage £110,000)

There have been fewer early leaseholder purchases than anticipated.

The budget for this Estate Regeneration scheme provides for Phase 2 & 3 leasehold properties to be purchased early where there is an opportunity to do so. As this is opportunity led, the actual numbers and costs are hard to predict and the final number becoming available during the year was less than that allowed for.

HRA 3 – Townhill Park: Design and Contract P1, 2 & 3 (slippage £169,000)

Design works were not completed by the end of the financial year.

Design work carried out by external consultants for the Townhill Park Estate Regeneration scheme was not completed by the end of the financial year. The remaining budget is to be slipped to cover the cost of the remaining design work to be carried out in 2015/16. This work will be completed for the planning application due to be submitted in August 2015.

New Build

HRA 4 – Erskine Court Rebuild (slippage £675,000)

A revised schedule has been agreed for this scheme.

A change request for this scheme was agreed, at the Housing Capital and Projects Board on 27th February 2015, to slip the budget by £719,000 to reflect the latest forecast of when contract payments would be due. Work is now progressing slightly ahead of the revised schedule and work valued at £44,300, profiled for 2015/16, was completed in year. The scheme is still on target for completion in the summer of 2016.

Safe Wind and Weather Tight

HRA 5 – HRA Business Case Resources (slippage £378,000)

There were corporate delays impacting on the Transformation Project.

The Housing Transformation Project is progressing. However, significant funding was set aside, as part of the business case, for the roll out of mobile working within the Division and other IT developments such as the Customer Portal and Online Forms. Due to corporate delays in delivering IT projects as part of the wider transformation programme, the Housing element of the costs have not yet been incurred.

HRA 6 – Golden Grove Balconies (slippage £156,000)

The balcony repair work will now be carried out in 2015/16.

Initial investigative work has been carried out to resolve balcony defects. However, due to the complexity of the structural issues identified, this has taken longer than anticipated. The work to repair the balconies is now underway.

HRA 7 – Electrical Riser Upgrades (slippage £448,000)

There was a delay to the start of heating replacement works.

To avoid inconvenience to residents at Wyndham Court, the replacement of landlord electrical heating systems was postponed until May when the communal heating is switched off. This ensured residents were not left without heating when it might be needed.

HRA 8 – Roof Finish – Flat (forward re-phasing £123,000)

There have been additional costs due to the retendering of work.

The original tender issued did not include correct leaseholder requirements. The subsequent re-issue of the tender has resulted in unforeseen expenditure. However, the additional costs can still be met from the overall budget for the scheme.

HRA 9 – Supported Housing 2 Storey Walkway Repairs (forward re-phasing £999,000)

Work originally planned for 2015/16 was brought forward.

Work on elements of this programme has been brought forward from 2015/16 to compensate for delays caused by the insolvency of the original supplier. This will ensure continuity of the programme and prevent further delays to tenants and costs incurred in scaffolding some blocks ensuring that unit costs remain similar.

Modern Facilities

HRA 10 – Housing Refurbishment – West – Drew Smith (forward re-phasing £189,000)

Refurbishment work planned for 2015/16 was started early.

The delivery of refurbishment work on 415 kitchens and 431 bathrooms was completed earlier than anticipated, allowing work to start early on the planned programme for 2015/16.

HRA 11 – Supported Kitchen – Current (slippage £300,000)

Less work was allocated than expected during the year.

There have been issues correctly predicting the actual expenditure incurred due to system changes within Housing Operations. This has resulted in less work being allocated than expected for 2014/15. Work completed includes 184 kitchens, 91 standard bathrooms and 24 level access showers. The budget will be slipped to support further works in 2015/16.

HRA 12 – Housing Refurbishment – East Mitie Property Services (slippage £466,000)

There was slippage due to lower uptake from residents.

The reduction in spend in the current year was due to the number of refusals received despite considerable efforts to encourage residents. As a result, work completed was lower than anticipated.

A change request for this scheme was agreed, at the Housing Capital and Projects Board on 27th February 2015, to slip £379,000 into 2015/16. £227,000 of this budget was moved to the Housing Refurbishment Programme West to allow all Neptune Court kitchens to be replaced one year earlier than planned and £152,000 was agreed slippage to 2015/16, which will enable some residents to have their kitchen / bathroom refurbished one year early. There is also further slippage at year end of £86,500, which is again due to the number of refusals.

HRA 13 – Temporary Homeless Accommodation (slippage £88,000)

Final payments are outstanding for this scheme.

The slippage relates to the final payments for this project. The retention sum is expected to be released in 2015/16 following final inspection of the work carried out.

Well Maintained Communal Facilities

HRA 14 – Lift Refurbishment (slippage £244,000)

There has been a delay in the commencement of these works.

A change request for this scheme was agreed, at the Housing Capital and Projects Board on 27th February 2015, to slip lift refurbishment budgets by £235,000 due to delays with the commencement of the works at Sarnia and Manston Court. The contractor is now on site and works are due to be completed by the end of July 2015.

HRA 15 – DN: Millbrook Towers Improvements (slippage £131,000)

A supplier invoice payment just missed inclusion in 2014-15 accounts

A supplier invoice for £101,000 has been paid early in the New Year after just missing the deadline for being included in 2014/15.

HRA 16– Small Blocks Communal Works (slippage £122,000)

There was a delay in the start of the Lundy Court Scheme.

As work on the Lundy Court Scheme has been delayed, due to asbestos issues, the project was still at the design stage at the end of March 2015.

HRA 17 – THP Phase 2 MacArthur/Vanguard (slippage £252,000)

There has been a lower level of fees for this scheme.

This slippage is due to consultants having completed 43% of the work ordered, compared to a budget assumption that 60% of the work would be completed by year end.

HRA 18 – DN: Shirley (slippage £458,000)

The budget will be slipped pending a review of outstanding work.

Although a significant value of work (over £1,000,000) was completed, there was an under spend in the year of £458,000 against the approved budget. This was due, in part, to the repercussions of the Howard's Grove explosion. As work is still needed in the Shirley area, a review will be carried out to ascertain whether there will be any savings in the budget.

HRA 19 – Weston Court Communal Works (slippage £136,000)

There was slippage due to design changes.

There are outstanding design change issues to be resolved with the consultants, which have resulted in a change to the phasing of the programme. All of the expenditure is now expected to be incurred in 2015/16 but the project will still be completed within the original programme.

HRA 20 – Estate Parking Improvements (slippage £180,000)

There were delays due to construction issues.

There have been a range of construction issues resulting in a delay in work on four of the five sites outlined in this programme. At the year end this project was 72% complete.

Warm & Energy Efficient

HRA 21 – Energy Efficiency Works (slippage £609,000)

There has been a delay in the Energy Companies' Obligation (ECO) Programme.

A delay in the start of the ECO programme has resulted in an under spend on the budget for 2014/15. Work will start in Summer 2015.

HRA 22 – External Wall Insulation – Kingsland Estate (slippage £134,000)

Final payments are outstanding for this scheme.

The work on insulation on the Kingsland Estate has been completed. The slippage relates to the final payments, which are being held pending inspection of a wider programme of works.

HRA 23 – Thornhill District Heating Scheme (slippage £300,000)

Expenditure for 2014/15 has been grant funded.

The capital budget is being slipped as expenditure for 2014/15 was treated as revenue and was funded by a grant received as part of the ECO programme. The capital element of the funding is expected to be spent in 2015/16.

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DECISION-MAKER:	COUNCIL		
SUBJECT:	NEW ARTS COMPLEX PROJECT		
DATE OF DECISION:	15 JULY 2015		
REPORT OF:	LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Mike Harris	Tel: 023 8083 2882
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Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	mark.heath@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
Following the issue and receipt of tenders to deliver the fit-out contract for the Arts Complex project, additional funding is required if the scheme is to be completed to the required standard.	
RECOMMENDATIONS:	
(i)	To add, in accordance with Financial Procedure Rules, an additional sum of £1,959,000 to the Leaders Capital Programme for delivery of the New Arts Complex Project and to fund from Council resources.
(ii)	To delegate to the Chief Financial Officer, following consultation with the Cabinet Member for Resources, authority to determine the most appropriate way of financing this sum.
(iii)	To note that the scheme value changes from £23,150,000 to £25,109,000, with a revised phasing of £9,458,000 in prior years, £10,457,000 in 2015/16, £5,016,000 in 2016/17 and £178,000 in 2017/18.
(iv)	To delegate authority to the Head of Leisure, Culture Planning and Transport to complete all operational matters including the granting of leases.
REASONS FOR REPORT RECOMMENDATIONS	
1	To ensure the project can progress and meet the necessary deadlines agreed with external funders and maximise the benefits of the investment in the Cultural Quarter.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2	Not to progress the scheme. This would leave the Council exposed to claims from funders and partners for funds invested in the scheme to date and would leave the site undeveloped for some time, until alternative plans were bought forward. This subsequently would delay the benefit of such a substantial investment in the City Centre and not bring about employment opportunities

	and visitor spend for the City.
DETAIL (Including consultation carried out)	
3	The Arts Complex is the next critical component of the Cultural Quarter. Guildhall Square and SeaCity Museum have made a major contribution to the regeneration of the area, through major events and the tens of thousands of visitors attracted to the quarter. Other businesses have been attracted to the area and are performing well. Grosvenor has concluded leases on many of the commercial units within the broader development of the Arts Complex, and fit out works for some of these units are already underway. These commercial units will open in the Autumn of 2015.
4	Southampton's new arts complex will provide a stunning contemporary arts space with outstanding facilities for performance, visual arts, film and digital media, forming a major part of a new development on the eastern side of the Cultural Quarter, fronting onto Guildhall Square. These flexible spaces will transform Southampton's ability to show a whole range of contemporary performing and visual arts. This will enable the city to attract new and exciting work from national and international artists; and to develop programmes for participation, especially by younger people. The arts complex will be a hub for contemporary cultural activity, at the heart of the Cultural Quarter and provide a new home for City Eye and the John Hansard Gallery, together with additional performance spaces to be operated by the Nuffield Theatre
5	The Arts complex project had a total budget of £23.15m, which has developed over a significant number of years, as major changes in how the project is to be delivered have arisen, and ongoing efforts to retain funding partners have been successfully made.
6	The project requires the fit out of a shell to be delivered by Grosvenor Ltd. The design of the shell fit out has been developed over a number of years, with intense scrutiny in recent months, as the tenants finalise their requirements, as their occupation is intended to last 40 years.
7	The council appointed Galiford Try on a pre-construction agreement, to assist with an efficient move to market once design had been completed. They have now been to tender, with a variety of packages to deliver the overall fit out programme. The response from the market has been unfavourable, with significant efforts required to remove qualifications to tenders, and to secure sufficient competition in certain packages. Ultimately however, this has led to a tender price that is considerably in excess of the current budget.
8	The project has undergone significant value engineering in the past, to manage the cost pressure. In late 2012, circa £700k of costs were removed, in addition to earlier value engineering exercises. It is not considered possible to remove further costs without limiting the ability of the building to perform as required by the operators or as the other key funder, the Arts Council, would require
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
9	It is proposed that an additional £1,959,000 be added to the capital programme and used to the increased shell build costs. The pre tender reports in May 2015, advised that the forecast Contract Sum for the fit out Contract could be contained within the budget, however, the lump sum now

	negotiated with the contractor requires additional resource. The Chief Financial Officer will determine the most appropriate way of funding this sum.
10	It is noted that additional revenue will be generated for the Council through this scheme proceeding, mainly through increased retained business rates, and council tax.
<u>Property/Other</u>	
11	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
12	Section 1 of the Localism Act 2011 permits a Council to do anything that an individual may do, whether or not normally undertaken by a local authority (the General Power of Competence). The power is subject to any pre or post commencement provisions, none of which apply in this case).
<u>Other Legal Implications:</u>	
13	None
POLICY FRAMEWORK IMPLICATIONS	
14	The project is in line with the Policy Framework and will assist the Council in meeting the overall aims of the Policy Framework, including the objectives set out in the Southampton City Strategy 2014-17.

KEY DECISION?	Yes	
WARDS/COMMUNITIES AFFECTED:	Scheme is in Bargate	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
	None	
Documents In Members' Rooms		
	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		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.		

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