

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	GENERAL FUND CAPITAL OUTTURN 2014/15		
<b>DATE OF DECISION:</b>	15 JULY 2015		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE		
<b><u>CONTACT DETAILS</u></b>			
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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
<b>Total GF Capital Programme</b>	<b>51.9</b>	<b>42.2</b>	<b>(9.7)</b>	<b>18.7</b>

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**

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

#### **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.

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

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

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