

DECISION-MAKER:	COUNCIL		
SUBJECT:	GENERAL FUND CAPITAL OUTTURN 2013/14		
DATE OF DECISION:	16 JULY 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Stephen Fitzgerald	Tel: 023 8083 4897
	E-mail:	Stephen.Fitzgerald@southampton.gov.uk	
Chief Financial Officer	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 outline the General Fund capital outturn position for 2013/14 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 2014/15 which take account of slippage and re-phasing.

RECOMMENDATIONS:

- (i) Notes the actual capital spending in 2013/14 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 2014/15, adjusted for slippage and re-phasing as shown in Appendix 3.
- (iii) Approves the proposed capital financing in 2013/14 as shown in paragraph 12.
- (iv) Notes that the capital programme remains fully funded up to 2016/17 based on the latest forecast of capital receipts although the forecast can be subject to change; most notably with regard to the value and timing of anticipated capital receipts.
- (v) Notes that a part repayment of £5,750,000 against outstanding prior years temporary borrowing, which stands at £9,400,000, has been made in 2013/14.
- (vi) Notes that it is currently anticipated that the remaining temporary borrowing of £3,650,000 will be repaid by the end 2014/15 when anticipated capital receipts are finally forecast to be received,

following the planned sale of a number of property assets.

- (vii) Approve the addition of £152,000 to the Education and Change portfolio capital programme (£107,000 in 2013/14 and £45,000 in 2014/15) to fund the overspend on the refurbishment of 315 Coxford Road scheme to be funded by council resources (capital receipts).

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn position for 2013/14 forms part of the approval of the statutory accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None as the outturn and financing for 2013/14 have been prepared in accordance with statutory accounting principles.

DETAIL (Including consultation carried out)

CONSULTATION

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

CAPITAL OUTTURN 2013/14

4. Total General Fund capital expenditure in 2013/14 was £46.8M compared to an estimate of £56.2M, giving an under spend of £9.4M or 16.6% of the programme.
5. The Capital Board for each Portfolio will have received a report at an appropriate level of detail setting out the outturn position. The performance of individual capital programmes in 2013/14 is summarised in the following table.

SUMMARY OF GF CAPITAL OUTTURN 2013/14

Portfolio	Approved £000's	Actual £000's	Variance £000's	Variance %
Education & Change	21,748	17,926	(3,822)	17.6
Economic Development & Leisure:				
- Economic Development	5,594	4,174	(1,420)	25.4
- Leisure	1,001	618	(383)	38.3
Environment & Transport:				
- Environment & Transport	19,636	17,036	(2,600)	13.2
- City Services	2,541	2,623	82	3.2
Health & Adult Social Care	859	892	33	3.8

Housing & Sustainability	2,051	1,835	(216)	10.5
Resources	2,762	1,740	(1,022)	37.0
Total GF Capital Programme	56,192	46,844	(9,348)	16.6

6. Reasons for major variances on individual schemes are given for each Portfolio in Appendix 1.
7. Appendix 2 shows the 2013/14 actual and 2013/14 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 £9.3M of the under spend offset by re-phasing of £1.0M on some schemes to bring expenditure forward, the remaining £1.0M being true under spends.
8. As part of the processes surrounding Sharepoint, the Council's project management system, slippage and re-phasing is automatically approved and processed at the year-end. The details of this are shown in Appendix 3.
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 on schemes completed or nearing completion have been identified at this stage (as detailed in Appendix 1) including:
 - Sea City Museum - £358k over spend
 - 315 Coxford Road - £152k over spend (see section 21)
 - Various Environment & Transport variances with a net underspend

In addition there is a forecast overspend on the New Arts Centre, which is at an early stage (amount yet to be confirmed) as detailed further in Appendix 1.

11. The impact of scheme variances for 2013/14 on future years' capital expenditure will be covered by the September update to the capital programme to be presented to Council on 17 September 2014.
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 2013/14

	£000's
Total Financing Required	46,844
Financed By: -	
Unsupported Borrowing	3,376
Capital Receipts	5,784
Capital Grants	29,894

Capital Contributions	2,827
Direct Revenue Financing	4,963
Total	46,844

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 2014 Annual Treasury Management Strategy and Prudential Limits report.

	Estimate	Actual	Estimate	Estimate	Estimate
	2013/14	2013/14	2014/15	2015/16	2016/17
	£000's	£000's	£000's	£000's	£000's
General Fund	55,501	46,844	56,141	20,308	568
HRA	36,969	30,587	53,399	37,018	42,355
Total	92,470	77,431	109,540	57,326	42,923

15. This indicator for 2014/15 to 2016/17 will be updated as part of the Capital Programme Update report to Council in September 2014. The Treasury Management Outturn 2013/14 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. During 2010/11 and 2011/12 it was necessary to take out additional temporary borrowing to finance capital spend which was in line with delegated powers approved in September 2008. This totalled £11.96M. £2.56M was repaid in 2012/13 and It has been possible to repay £5.75M in 2013/14. It is currently anticipated that the remaining temporary borrowing of £3.65M can be repaid in 2014/15. 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 12 February 2014 the capital programme remains fully funded up to 2016/17. The availability of additional capital receipts to fund new schemes will be dependant upon the disposal strategy adopted and the medium-term financial strategy both of which are due to be considered later in 2014.
20. Currently, due to the limited level of capital resources available additions to the programme are only considered in very exceptional circumstances and clear prioritisation is required.
21. There is a recommendation in this report to approve additional funding of £152,000 from Council Resources (capital receipts) for the refurbishment of 315 Coxford Road. Re-opening premises at Coxford Road has enabled the People Directorate to bring a large building into use which will support and future proof accommodation for service direct provision. The project has enabled the closure of three service buildings for disposal and release of the capital receipt which was anticipated to be more than treble the initial cost of the refurbishment. However, works to refurbish office accommodation have overspent due to the requirement for additional health & safety works as noted in Appendix 1. In addition service delivery changes to future proof the building and support the transformation of Children's services were required along with some DDA adjustments. It is proposed to use Council Resources to cover the over spend in order to complete the project to support people transformation implications and support service delivery. The three vacant buildings have been handed back to Property Services.

RESOURCE IMPLICATIONS

Capital/Revenue

22. 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

23. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

24. 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:

25. None.

POLICY FRAMEWORK IMPLICATIONS

26. The outturn for 2013/14 forms part of the overall statutory accounts.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	None.
------------------------------------	-------

SUPPORTING DOCUMENTATION

Appendices

1.	Capital Outturn 2013/14 – Details of Significant Variances
2.	Scheme Budget Variances 2013/14
3.	Revised Estimates 2014/15

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
--	--------

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.		