

DECISION-MAKER:	COUNCIL		
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2013/14 TO 2016/17		
DATE OF DECISION:	17 SEPTEMBER 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY			
N/A			

BRIEF SUMMARY

The purpose of this report is to inform Council of any major changes in the overall General Fund Capital Programme since it was last reported on 12 February 2014. This report also outlines the way in which the revised programme has been funded, reflecting the changes in availability and usage of capital resources.

The net result of the changes in this report is that the current overall programme has increased by £11.5M. Never the less, the capital programme is fully funded 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.

RECOMMENDATIONS:

It is recommended that Council:

- i) Approve the revised General Fund Capital Programme, which totals £144.0M (as detailed in paragraph 4) and the associated use of resources.
- ii) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.
- iii) Note the portfolio programme changes, slippage and re-phasing and financial and project issues as described in detail in Appendix 3.
- iv) Add a sum of £250,000 to the Environment & Transport capital programme in 2015/16 for the North of Station Quarter Phase 2 scheme to be funded from the LTP Capital Grant funding 2015/16.
- v) Add a sum of £350,000 to the Environment & Transport capital programme (subject to the approval from Network Rail) in 2014/15 for the North of Station Quarter Phase 2 scheme to be funded by external contribution from Network Rail's National Station Improvement Programme.
- vi) Add a sum of £4,185,000 to the Environment & Transport capital programme (subject to the approval from the Solent LEP) in 2015/16 for

the North of Station Quarter Phase 2 scheme to be funded from Solent LEP Local Growth Deal grant.

- vii) Approve spending of £5,225,000 in total on the North of Station Quarter Phase 2 scheme, phased £790,000 in 2014/15 and £4,435,000 in 2015/16 [other funding of £440,000 is already included in the capital programme].
- viii) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received, due to the uncertainty surrounding the Comprehensive Spending Review for 2015/16 and future years.
- ix) Note that the balance of additional temporary borrowing taken out in 2010/11 and 2011/12 due to cash flow issues, now totalling £3.65M, is expected to be repaid by the end of 2015/16 when anticipated capital receipts are finally forecast to be received.
- x) Note that the Council is shortly to consider a revised disposal strategy which, whilst enabling the current capital programme to remain fully funded, would significantly reduce the ability to fund additional capital schemes from Council Resources.
- xi) Note the financial and project issues which are set out in paragraphs 29 to 33 and detailed in Appendix 3 for each Portfolio.

REASONS FOR REPORT RECOMMENDATIONS

1. The update of the Capital Programme is undertaken twice a year in accordance with Council Policy and is required to enable schemes in the programme to proceed and to approve additions and changes to the programme.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The update of the Capital Programme is undertaken within the resource constraints imposed on it. No new schemes can be added unless specific additional resources are identified. Alternative options for new capital spending are considered as part of the budget setting process.

DETAIL (Including consultation carried out)

CONSULTATION

3. The General Fund Capital Programme update summarises additions to the capital programme since February 2014. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the key role played by Capital Boards and of the Councils project management system Sharepoint. The content of this report has been subject to consultation with Finance Officers from each portfolio.

THE FORWARD CAPITAL PROGRAMME

4. The following table shows a comparison of the total planned expenditure for each year with the sums previously approved. The Latest Programme figures include additions to the programme which are subject to approval of the specific recommendations:

	2013/14	2014/15	2015/16	2016/17	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	46,844	62,555	29,028	4,362	1,213	144,002
Feb 2014 Programme	55,151	56,491	20,308	568	0	132,518
Variance	(8,307)	6,064	8,720	3,794	1,213	11,484

5. The above table shows that the General Fund Capital Programme has increased by £11.5M. With the exception of changes requiring approval detailed in the recommendations within this report, all other changes have been previously approved by Council, Cabinet or made under delegated authority. Details of each portfolio's programme are shown in Appendix 1.
6. The change in individual portfolios' capital programmes is shown in the following table and a summary of the major variations, together with the source of funding and the priorities to which they contribute, is detailed in Appendix 2:

	Latest Programme	Previous Programme	Total Change
	£000's	£000's	£000's
Children's Services	35,328	31,517	3,811
Environment & Transport A	49,620	43,793	5,827
Environment & Transport B (City Services)	3,621	3,306	315
Health & Adult Social Care	1,927	1,627	300
Housing & Sustainability	13,995	14,193	(198)
Leader's	28,271	28,144	127
Resources & Leisure (Resources)	7,209	6,007	1,202
Resources & Leisure (Leisure)	4,031	3,931	100
Total GF Capital Programme	144,002	132,518	11,484

7. Further detail of the changes to each portfolio capital programme is contained in Appendix 3 which sets out both additions and slippage and re-phasing for schemes. Slippage and re-phasing that impacted on 2013/14 was reported to Council on 16 July 2014 as part of the General Fund Capital Outturn report. The explanations set out in Appendix 3 do not replicate this information and instead highlight only new items which need to be brought to the attention of Full Council.

CAPITAL RESOURCES

8. The resources which can be used to fund the capital programme are as follows:
- Unsupported Borrowing
 - Capital Receipts from the sale of HRA assets
 - Capital Receipts from the sale of General Fund assets
 - Contributions from third parties
 - Central Government Grants
 - Grants from other bodies
 - Direct Revenue Financing (DRF) raised from Council Tax payers or balances
9. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Housing Association schemes within the Housing Portfolio.

CHANGES IN AVAILABLE RESOURCES

10. The additional spending within the Capital programme must be met from additional sources of finance. The resource changes that have taken place since February 2014 are detailed in Appendix 4 and summarised in the table below:

	£000's
Unsupported Borrowing	871
Capital Receipts	(564)
Contributions	1,106
Capital Grants	8,299
Direct Revenue Financing from Balances	183
Direct Revenue Financing from Portfolios	1,589
Total Change in Available Resources	11,484

11. The largest increase in available resources relates to Government capital grants. This is largely for expenditure on schemes within the Environment & Transport Capital Programme and the Children's' Services Capital Programme.
12. It should be noted that the programme takes into account the outcome of the Comprehensive Spending Review and its potential impact for 2015/16 and future years. This affects areas such as the roads programme within the Environment & Transport capital programme which is heavily reliant on grant funding from government each year. More detail is available in paragraph 24.

OVERALL USE OF RESOURCES

13. The following table shows capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme:

	2013/14	2014/15	2015/16	2016/17	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Children's Services	17,926	10,527	5,642	483	750	35,328
Env & Transport (E&T)	17,036	27,404	5,180	0	0	49,620
Env & Transport (City Services)	2,623	971	27	0	0	3,621
Health & Adult Social Care	892	1,035	0	0	0	1,927
Housing & Sustainability	1,836	9,083	2,776	300	0	13,995
Leader's	4,174	6,674	14,106	3,217	100	28,271
Resources & Leisure (Res)	1,739	4,001	872	312	285	7,209
Resources & Leisure (Leis)	618	2,860	425	50	78	4,031
Total GF Capital Programme	46,844	62,555	29,028	4,362	1,213	144,002

Unsupported Borrowing	3,376	1,347	545	0	0	5,268
Capital Receipts	5,784	9,324	4,370	350	3	19,831
Contributions	2,827	11,677	3,242	161	75	17,982
Capital Grants	29,894	34,198	19,728	3,183	750	87,753
DRF from Balances	536	2,497	32	113	0	3,178
DRF from Portfolios	4,427	3,512	1,111	555	385	9,990
Total Financing	46,844	62,555	29,028	4,362	1,213	144,002

14. The table above shows that following the latest update, the capital programme continues to be fully funded based on the latest forecast of available resources although the forecast can be subject to change as it was in February 2014.
15. Funding for the capital programme is heavily reliant on capital receipts from the sale of Council properties. These receipts have always had a degree of uncertainty regarding their amount and timing, but the changes in the economic climate have increased the Council's risk in this area.

16. 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.
17. Due to anticipated delays in the receipt of funding from the sale of capital assets an additional £9.2M had to be borrowed to fund the programme in 2011/12 and £2.8M in 2010/11, which was in line with delegated powers approved in September 2008. Repayments of £2.56M during 2012/13 and £5.75 In 2013/14 left the outstanding balance at £3.65M. The additional revenue costs associated with undertaking this prudential borrowing have been built into future budget forecasts.
18. 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 and based on the latest forecast of capital receipts the outstanding balance of temporary borrowing undertaken to date of £3.65M will be repaid by the end of 2015/16. The figures shown in the table above do not reflect this planned repayment and only relate to the financing of the current programme rather than adjustments anticipated to the financing of prior years.
19. The funding and cashflow position of the overall capital programme is susceptible to changes in the estimated value of future capital receipts and their timing. This has arisen due to the approval of schemes based on future estimates of receipts and the fact that the reserve of receipts has been depleted. This situation was exacerbated by the recession but is a risk which needs to be considered in the future approach adopted for capital additions. It is intended to move to a position where schemes are only approved when receipts are received or certain and when a sufficient reserve of receipts has been built up to protect against volatility in the timing and level of uncertain future receipts.
20. The forecast of capital receipts includes a risk factor calculated by Valuation Services that reduces some receipt values to take account of the uncertainty inherent in these estimated values. This should mitigate the impact of any individual changes in receipts and also ensure that an appropriately realistic forecast is presented. Capital receipts are actively monitored throughout the year and this will continue.
21. A revised disposal programme is shortly to be considered by the Council. This revised strategy will see less properties being sold which would have the combined effect of securing existing revenue income streams but also reducing future capital receipts from disposals. Whilst the revised strategy would enable the capital programme as outlined in this report to remain fully funded, it would significantly reduce the ability to fund additional capital schemes from Council Resources.

CHANGES TO THE PROGRAMME

22. Given the lack of spare resources in the programme and the lack of available capital resources over the past three to four years, additions to the programme are only considered in very exceptional circumstances.

23. A number of changes to the overall programme have been approved at Capital Boards and via separate reports and a series of recommendations are included in this report to approve a number of additions to the programme.
24. Recommendations are included to add sums totalling £4,785,000 to the Environment & Transport capital programme for the North of Station Quarter Phase 2 scheme. This capital project will deliver a complete transformation to the public realm on the north side of Southampton Central Station with the aim of enhancing a key gateway into the city and supporting the wider objectives of the Station Quarter VIP development area. The public realm improvements proposed will complement the Phase 1 works currently under construction and include the use of high quality durable surface materials, new tree planting and landscaping, high quality lighting, footway widening to improve the links between the station and the city centre, new cycle links, enhanced taxi rank provision, consolidating the bus stops into one interchange area and new public art features. New public spaces will be created to promote local events such as the farmers market and will supporting existing businesses, including local shops and cafes/ restaurants.

NEW SPENDING PRIORITIES PUT FORWARD BY CABINET

25. Due to the current lack of additional funding, no new initiatives, other than those outlined above as consistent with previous policy decisions are being proposed.

FINANCIAL & PROJECT ISSUES

26. In the past, there have been issues with regard to delivery of schemes in the light of which a review of project management within the Council was undertaken and a project management system, (Sharepoint), developed and implemented. Following a period to establish the efficient and effective use of Sharepoint across the Council this report includes an assessment of all facets affecting the delivery of the Capital Programme.
27. Within Sharepoint, projects are allocated a RAG status based on the following broad criteria:
 - **RED – Significant Concern** - Low level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3 (project initiation). Any significant risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and a Red RAG status selected where the Project Manager believes that the risk and/or issue may lead to significant slippage or impact cost and / or quality.
 - **AMBER – Some Concern** - Medium level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any medium risks or issues should be noted under 'Highlighted Risks and Issues' on the Highlight Report and an Amber RAG status selected where the Project Manager believes that the risk and/or issue may lead to some slippage or impact cost and / or quality.

- **GREEN – On Track** - High level of confidence that the project can be delivered to the originally agreed Time, Cost and / or Quality specified at Gateway 3. Any minor risks or issues can be noted under ‘Highlighted Risks and Issues’ on the Highlight Report. The RAG status would remain ‘Green’ unless the risk and/or issue is likely to lead to some or significant slippage or impact cost and / or quality.
28. Appendix 3 contains detail about financial and project issues within each Portfolio Capital Programme which need to be brought to the attention of Council.
29. There are two schemes where there are corporate financial issues that have been highlighted and these are shown in the tables below:

Key Adverse Financial Variances

Portfolio	Scheme	Adverse Forecast £000's	Appendix 3 See Reference
Leader's	SNAC	1,600	LD 6
Resources & Leisure	Sea City phase 2	358	LS 5

Key Favourable Financial Variances

There are no key favourable financial variances.

30. There are no schemes where corporate project issues are being highlighted.

RESOURCE IMPLICATIONS

Capital

31. As set out in the report details.

Revenue

32. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are considered as part of the annual revenue budget setting meetings. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

33. There are no specific property implications arising from this report other than the schemes already referred to within the main body of the report.

Other

34. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

35. The General Fund Capital Programme update is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

36. None directly, but in preparing this report, the Council has had regard to the Human Rights Act 1998, the Equality Act 2010, the duty to achieve best value and statutory guidance issued associated with that, and other associated legislation.

POLICY FRAMEWORK IMPLICATIONS

37. The update of the Capital Programme forms part of the overall Budget Strategy of the Council.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations Since the February 2014 Capital Update
3.	Key Issues – September 2014 Programme Update
4.	Major Changes in Capital Resources Since the February 2014 Update

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.	The General Fund Capital Programme 2012/13 to 2015/16 as approved by Council on the 13 February 2013.	
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