

DECISION-MAKER:	CABINET COUNCIL		
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2015/16 TO 2019/20		
DATE OF DECISION:	9 FEBRUARY 2016 10 FEBRUARY 2016		
REPORT OF:	CABINET MEMBER FOR FINANCE		
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STATEMENT OF CONFIDENTIALITY			
N/A			

BRIEF SUMMARY

The purpose of this report is to inform Cabinet and Council of any major changes in the overall General Fund Capital Programme for the period of 2015/16 to 2019/20, highlighting the changes in the programme since the last reported position to Cabinet in November 2015.

The net result of the changes in this report is that the current overall programme has increased by £89.20M.

RECOMMENDATIONS:

CABINET

Recommends that Full Council

- i) Approve the changes to the General Fund Capital Programme as set out in Council recommendations i- viii.

COUNCIL

It is recommended that Council:

- i) Approve the revised General Fund Capital Programme, which totals £167.13M (as detailed in paragraph 4) and the associated use of resources.
- ii) To note that £0.84M has been added to the programme, with approval to spend, under delegated powers (£0.42M 2015/16 and £0.42M 2016/17). These additions are detailed in Appendix 3.
- iii) Approve the addition of a total of £88.36M to the programme with approval to spend £88.36M as detailed in paragraph 7, Appendices 1 and 3. Approval to spend is requested subject to any variations from the scheme spend detailed in the report being reviewed by the Council Capital Board,

approved in accordance with Financial Procedure Rules and not exceeding the Portfolio totals identified within this programme.

- iv) To note the increase in the Leaders Portfolio Capital Programme to include the additional of a new scheme for the creation of a Property Investment Fund in 2016/17 for the sum of £65M to be funded by council resources. This is detailed further in paragraph 20.
- v) Note that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received.
- vi) Note the changes to the programme as summarised in Appendix 2 and described in detail in Appendix 3.
- vii) Note the slippage and re-phasing as set out in paragraph 11 and as described in detail in Appendix 3.
- viii) Note that a review of the Council's capital strategy has been undertaken as detailed in Appendix 5.

REASONS FOR REPORT RECOMMENDATIONS

1. The Capital Programme is now reviewed on a quarterly basis in accordance with the Council's Capital Strategy. The forecast position is reported to the Council Capital Board with any required programme update reported to Cabinet and Council for approval. This 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 in the light of the funding available and the overall financial position.

DETAIL (Including consultation carried out)

CONSULTATION

3. The General Fund Capital Programme update summarises additions to the capital programme and slippage and rephasing since the last approved programme in November 2015. Each addition to the capital programme has been subject to the relevant consultation process which now reflects the role played by Council Capital Board. The content of this report has been subject to consultation with Finance Officers from each portfolio.

THE FORWARD CAPITAL PROGRAMME

4. Table 1 below shows a comparison of the latest forecast planned capital expenditure for the period 2015/16 to 2019/20 compared to the previously reported programme.

Table 1 – Programme Comparison

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£M	£M	£M	£M	£M	£M
Latest Programme	49.25	111.24	6.28	0.27	0.10	167.13
Previous Programme	59.51	17.61	0.71	0.10	0.00	77.93
Variance	(10.26)	93.63	5.57	0.17	0.10	89.20

5. The above table shows that the General Fund Capital Programme has increased by £89.20M. Appendix 1 provides details of each portfolios latest forecast programme and the financing of that programme.
6. Of this increase £0.84M relates to additions to the programme approved under delegated powers, £0.42M in 2015/16 and £0.42M in 2016/17. These changes are detailed in Appendix 3.
7. The remaining increase of £88.36M in the programme is detailed in Table 2 below. Approval is sought to add these sums to the capital programme and to give approval to spend subject to any variations to the scheme spend from that detailed in the report being reviewed by the Council Capital Board, approved in accordance with Financial Procedure Rules and not exceeding the Portfolio totals identified within this programme and shown in Table 2. Appendix 1 details the overall schemes and funding assumptions and detail of actual spend in contained with Appendix 3. Spend will not be incurred on individual schemes until detailed project plans, outputs and impact assessments are approved by the appropriate project sponsor.

Table 2 – Additions to Programme

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£M	£M	£M	£M	£M	£M
City Services	0.00	0.48	0.00	0.00	0.00	0.48
Education and Childrens Social Care	0.00	6.01	4.95	0.00	0.00	10.96
Leaders	0.00	65.00	0.00	0.00	0.00	65.00
Transport	0.78	10.26	0.62	0.16	0.10	11.92
Total Additions	0.78	81.75	5.57	0.16	0.10	88.36

CHANGES TO THE OVERALL PROGRAMME

8. The change in individual portfolios' capital programmes is shown in Table 3.

Table 3 – Changes in Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
City Services	2.45	1.61	0.84
Communities, Culture & Leisure	2.30	2.30	0.00
Education and Childrens Social Care	30.45	19.49	10.96
Finance	2.97	2.97	0.00
Health & Adult Social Care	0.60	0.60	0.00
Housing & Sustainability	5.62	5.62	0.00
Leaders	89.82	24.82	65.00
Transport	32.92	20.52	12.40
Total GF Capital Programme	167.13	77.93	89.20

9. Appendix 3 details the changes by individual portfolio programmes. This includes new schemes and changes to existing schemes where approval has been previously given by Council, Cabinet or made under delegated authority to amend the programme. It further details those changes that still require approval to amend the programme for slippage or rephasing.
10. Funding for the Councils capital programme is a scarce resource therefore additions need to be considered in terms of the priorities and desired outcomes of the Council. Currently all additions that require Council resources are being funded from borrowing so it is essential other specific sources of funding can be identified.

SLIPPAGE AND REPHASING

11. The proposed programme identifies £11.36M of slippage and rephasing from 2015/16 into future years as detailed in table 4 below. This is a significant sum (19.1% of the 2015/16 programme) and supports the recommendation that capital expenditure should be regularly reviewed and the profile of spend considered in more depth. It is also important to understand the profile of spend when updating our Treasury Management assumptions, in particular the implications for the need to borrow. Major items of slippage are detailed in Appendix 4 which further explanation detailed in Appendix 3.

Table 4 – Slippage and Rephasing by Portfolio

	Slippage/ Rephasing £M
City Services	0.55
Communities, Culture & Leisure	0.79
Education & Children's Social Care	3.42
Finance	0.26
Health & Adult Social Care	0.25
Housing & Sustainability	2.16
Leaders	1.40
Transport	2.53
Total Slippage/Rephasing	11.36

UNDER AND OVERSPENDS

12. The capital programme is now being monitored on a quarterly basis. Identified under and overspends are reported to the Council Capital Board. Programme changes for these will not be made until the outturn position is known and will be reported as part of the outturn report in June 2016, with approval to update the programme for these being sought at that time.

CAPITAL RESOURCES

13. The resources which can be used to fund the capital programme are as follows:
- Council Resources - Borrowing
 - Council Resources - Capital Receipts from the sale of HRA assets
 - Council Resources - Capital Receipts from the sale of General Fund assets
 - Contributions from third parties
 - Central Government Grants and from other bodies
 - Direct Revenue Financing (DRF)
14. Capital Receipts from the sale of Right to Buy (RTB) properties are passed to the General Fund capital programme to support the Private Sector Housing schemes within the Housing & Sustainability Portfolio.

CHANGES IN AVAILABLE RESOURCES

15. The additional spending within the Capital programme must be met from additional sources of finance. Table 5 shows the resource changes that have taken place.

Table 5 – Changes in Resource Requirements

	£M
Council Resources	74.51
Contributions	2.06
Capital Grants	14.82
Direct Revenue Financing (Portfolios)	(2.19)
Total Change in Available Resources	89.20

16. It should be noted that the largest increase in available resources relates to the use of Council Resources. This is predominantly due to a new scheme added to the Leaders Portfolio for the creation of a Property Investment Fund for the sum of £65M.
17. It should also be noted that the revised General Fund Capital Programme is based on prudent assumptions of future Government Grants to be received. The majority of these grants relate to funding for schools and transport and are unringfenced. However in 2015/16 these grants have been passported to these areas. This has been further recommended for 2016/17 in financing this revised capital programme update. The grants are predominantly in relation to the schools programme and allocation of the Schools Basic Needs and Condition Grants in 2016/17.

OVERALL CAPITAL PROGRAMME (GF ONLY)

18. Table 6 and Table 7 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2019/20.

Table 6 – Capital Expenditure by Programme

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£M	£M	£M	£M	£M	£M
City Services	0.87	1.58	0.00	0.00	0.00	2.45
Communities, Culture & Leisure	1.38	0.84	0.08	0.00	0.00	2.30
Education & Childrens Social Care	8.19	17.31	4.95	0.00	0.00	30.45
Finance	1.40	1.28	0.29	0.00	0.00	2.97
Health & Adult Social Care	0.35	0.25	0.00	0.00	0.00	0.60
Housing & Sustainability	3.17	2.45	0.00	0.00	0.00	5.62
Leaders	14.90	74.47	0.35	0.10	0.00	89.82
Transport	18.98	13.06	0.62	0.17	0.10	32.92
	49.25	111.24	6.28	0.27	0.10	167.13

Table 7 – Use of Resources

	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M
Council Resources	17.54	75.68	0.27	0.09	0.10	93.69
Contributions	6.66	3.51	0.60	0.08	0.00	10.85
Capital Grants	25.05	29.80	4.95	0.00	0.00	59.81
DRF from Portfolios	0.00	2.24	0.46	0.10	0.00	2.79
Total Financing	49.25	111.24	6.28	0.27	0.10	167.13

19. It can be seen from Table 6 that the significant programme spend relates to the Leaders Portfolio (Property Investment Fund & SNAC); Education and Childrens Social Care Portfolio (Schools Programme); and E & T Portfolio (Roads Programme). It should be noted that 2016/17 capital grant assumptions have now been built in where relevant.
20. It should be noted that a new scheme for the sum of £65M has been added to the Leaders Portfolio Capital Programme for the creation of a Property Investment Fund following a recommendation from the Council Capital Board. Spend on the scheme will be subject to an Investment Business Plan being reviewed and approved by the Council Capital Board. Spend will be in accordance with Financial Procedure Rules with delegations for approval being determined once the Investment Business Plan has been agreed.
21. Table 7 demonstrates that the most a significant amount for funding is provided by Council Resources. In this financial year this will be mainly through borrowing. It should be noted that this position assumes borrowing in lieu of DRF, for 2015/16 only, as it is anticipated that the previously assumed DRF funding will be held in revenue to offset the shortfall in the approved MRP revenue saving, as detailed in paragraph 24, due to the timing of expected capital receipts.

CAPITAL RECEIPTS

22. Capital receipts funding assumptions have been previously based on an estimated value of the receipt, in the year of disposal. The estimate was further risk adjusted depending on where in the process the disposal had progressed i.e. 'On Market', 'Contract Under Negotiation' etc.
23. Capital receipts are now monitored and reported based on the agreed sale price and expected year of receipt in order to achieve certainty around the level of useable receipts within each financial year. Further, it has been agreed by the Council Capital Board that receipts for properties that are on the disposal list but not yet on the market will not be included in capital receipt assumptions.
24. The Revenue Budget report to Cabinet in August 2015 detailed changes to the Councils MRP policy including utilising capital receipts to repay debt enabling a revenue MRP holiday. This allows a significant non recurrent saving to be made. This was the methodology used in in 2014/15, and it is proposed to continue this strategy for 2015/16 and 2016/17. The impact of this will be that capital expenditure is currently planned to be funded from capital receipts will need to be funded from borrowing in these financial years. The impact of this is an increase

in borrowing costs, however as borrowing is based on cash need it is unlikely that new borrowing will occur in the short term.

25. It should be noted that this proposal is currently being reviewed in light of the level of actual capital receipts now expected to be received in 2015/16. Whilst there are several significant land disposals currently being actioned it is now expected that the receipt for these disposals will now be received in 2016/17 due to the complexity of the disposals.
26. Alternative options to market disposal are now being considered such as opportunities that could be achieved the Development Company Model. This is further detailed in the Capital Strategy at Appendix 5.
27. Table 8 shows the previous and current capital receipt assumptions based on either original sale price or where known the actual sale price in the year that the receipt is expected rather than the year of disposal. It should be noted that both the previous and latest forecast positions have been adjusted to remove receipts for properties not yet on the market. The estimated market value of these receipts is £10.0M.

Table 8 – Capital Receipt Assumptions

	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M
Latest Forecast	2.61	15.31	1.17	0.00	0.00	19.09
Previous Forecast	2.48	13.21	1.17	0.00	0.00	16.86
Change	0.13	2.10	0.00	0.00	0.00	2.23

28. It can be seen that there is likely to be an overall increase in the level of capital receipts of £2.23M mainly due to the higher sale values. It should be noted that if alternative options to disposal are considered this will affect the overall level of receipts. Further work is being undertaken on capital receipts to ascertain disposal methods and timing to ensure the Council receives best value.

CAPITAL STRATEGY

29. The Council needs to have a fit for purpose Capital Strategy to ensure that all the priorities within the Council Strategy are accounted for in the allocation of resources to the capital programme. A review has therefore been undertaken to update the Capital Strategy for the period 2015/16 to 2019/20 and this is attached in Appendix 5.

RESOURCE IMPLICATIONS

Capital

30. As set out in the report details.

Revenue

31. This report principally deals with capital. However, the revenue implications arising from borrowing to support the capital programme are included as part of the General Fund Revenue Budget considered elsewhere on this agenda. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.

Property

32. 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

33. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

35. 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

36. 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 September 2016 Programme Update
3.	Key Issues – February 2016 Programme Update
4.	Major Slippage and Rephasing
5.	Capital Strategy

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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Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) 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)
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