

<b>DECISION-MAKER:</b>	CABINET COUNCIL
<b>SUBJECT:</b>	THE GENERAL FUND CAPITAL PROGRAMME 2011/12 TO 2014/15
<b>DATE OF DECISION:</b>	6 FEBRUARY 2012 15 FEBRUARY 2012
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE
<b>STATEMENT OF CONFIDENTIALITY</b>	
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 14 September 2011. 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 £9.1M. The forecast over programming stands at £751,000 and is much reduced from the level of £8.1M reported in September 2011.

### **RECOMMENDATIONS:**

#### **CABINET**

#### **Recommends that Full Council:**

- i) Approve the revised General Fund Capital Programme, which totals £168.5M (as detailed in paragraph 4) and the use of resources.
- ii) Approve the forecast over programming of £751,000 as detailed in paragraph 11, which is within the previously approved tolerances and can be compared to the figure reported to Council in September of £8.1M.
- iii) Note that the reduction in the funding deficit is largely down to additional or increased forecast future capital receipts where the timing and exact value is to a degree uncertain.
- iv) Note the forecast funding deficit in 2011/12 as detailed in paragraph 15 that is likely to require temporary borrowing, the revenue implications of which have been reflected in the budget forecast for the General Fund.
- v) Add £4,084,000 to the Environment & Transport capital programme in 2012/13 for Roads which is currently to be funded by direct revenue financing (£2,672,000), Council Resources (£1,272,000 unsupported borrowing), on-street parking surplus contributions (£90,000) and other revenue contributions (£50,000).
- vi) Add £408,000 to the Environment & Transport capital programme for the Salix Energy Efficiency scheme in 2012/13 to be funded by government grants.

- vii) Add £519,000 to the Leisure & Culture capital programme phased £110,000 in 2012/13, £170,000 in 2013/14 and £239,000 in 2014/15 to carry out essential works at the Guildhall to be funded by Council Resources.
- viii) Add £805,000 to the Adult Social Care & Health capital programme for essential refurbishment and improvements at care homes in 2012/13 to be funded by government grant.
- ix) Delegate authority to the Chief Finance Officer in consultation with the Executive Director of Environment and following consultation with the Cabinet Member for Environment & Transport and the Cabinet Member for Resources, Leisure & Culture to add Salix schemes to the capital programme up to the value of £100,000 per year, funded from a self-sustaining budget created from savings generated.
- x) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and future years.

## **COUNCIL**

### **It is recommended that Council**

- i) Approve the revised General Fund Capital Programme, which totals £168.5M (as detailed in paragraph 4) and the use of resources.
- ii) Approve the forecast over programming of £751,000 as detailed in paragraph 11, which is within the previously approved tolerances and can be compared to the figure reported to Council in September of £8.1M.
- iii) Note that the reduction in the funding deficit is largely down to additional or increased forecast future capital receipts where the timing and exact value is to a degree uncertain.
- iv) Note the forecast funding deficit in 2011/12 as detailed in paragraph 15 that is likely to require temporary borrowing, the revenue implications of which have been reflected in the budget forecast for the General Fund.
- v) Add £4,084,000 to the Environment & Transport capital programme in 2012/13 for Roads which is currently to be funded by direct revenue financing (£2,672,000), Council Resources (£1,272,000 unsupported borrowing), on-street parking surplus contributions (£90,000) and other revenue contributions (£50,000).
- vi) Add £408,000 to the Environment & Transport capital programme for the Salix Energy Efficiency scheme in 2012/13 to be funded by government grants.
- vii) Add £519,000 to the Leisure & Culture capital programme phased £110,000 in 2012/13, £170,000 in 2013/14 and £239,000 in 2014/15 to carry out essential works at the Guildhall to be funded by Council Resources.

- viii) Add £805,000 to the Adult Social Care & Health capital programme for essential refurbishment and improvements at care homes in 2012/13 to be funded by government grant.
- ix) Delegate authority to the Chief Finance Officer in consultation with the Executive Director of Environment and following consultation with the Cabinet Member for Environment & Transport and the Cabinet Member for Resources, Leisure & Culture to add Salix schemes to the capital programme up to the value of £100,000 per year, funded from a self-sustaining budget created from savings generated.
- x) Note that the revised General Fund Capital Programme takes into account the Comprehensive Spending Review (CSR) for 2011/12 and future years.

## 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 September 2011. 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 the developing use 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.

	2011/12	2012/13	2013/14	2014/15	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	94,341	44,600	13,641	716	15,242	168,540
Sep 2011 Programme	103,446	31,720	9,327	0	14,931	159,424
<b>Variance</b>	<b>(9,105)</b>	<b>12,880</b>	<b>4,314</b>	<b>716</b>	<b>311</b>	<b>9,116</b>

5. The above table shows that the General Fund Capital Programme has increased by £9.1M. 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.

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:

	<b>Latest Programme £000's</b>	<b>Previous Programme £000's</b>	<b>Total Change £000's</b>
Adult Social Care & Health	4,248	3,693	555
Children's Services & Learning	58,251	57,612	639
Environment & Transport	33,511	29,059	4,452
Housing A – Housing General Fund	8,725	5,884	2,841
Housing B - Local Services & Community Safety	1,980	1,770	210
Leader's	5,654	5,754	(100)
Leisure & Culture	35,319	34,800	519
Resources	20,852	20,852	0
<b>Total GF Capital Programme</b>	<b>168,540</b>	<b>159,424</b>	<b>9,116</b>

## **CAPITAL RESOURCES**

6. The resources which can be used to fund the capital programme are as follows:
- Supported Borrowing
  - 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
7. 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

8. The additional spending within the Capital programme must be met from additional sources of finance. The following table shows the resource changes that have taken place since September 2011:

	£000's
Unsupported Borrowing	1,083
Capital Receipts	7,598
Contributions	1,976
Capital Grants	2,886
Direct Revenue Financing from Portfolios	2,943
<b>Total Change in Available Resources</b>	<b>16,486</b>

9. The main reasons for the resource changes are detailed in Appendix 3. It should be noted that the programme takes into account the outcome of the Comprehensive Spending Review for 2011/12 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.
10. The largest increase in available resources relates to forecast future capital receipts. The Council has recently reviewed its property portfolio with a view to selling those assets that are surplus to requirements, thus potentially realising a significant level of capital receipts. The increased forecast for future capital receipts and the resulting reduced forecast deficit outlined in this report represents the first step in this process. It should be noted that the exact total and timing of such receipts is still very much unknown and will be subject to change.
11. 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.

## OVERALL USE OF RESOURCES

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

	2011/12	2012/13	2013/14	2014/15	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Adult Social Care & Health	2,652	1,108	488			4,248
Children's Services & Learning	38,765	15,237	3,748	200	301	58,251
Environment & Transport	20,550	12,749	212			33,511
Housing A - HGF	2,406	4,013	2,029	277		8,725
Housing B - LS & CS	1,377	603				1,980
Leader's	2,356	1,635	1,143		520	5,654
Leisure & Culture	14,458	2,460	3,741	239	14,421	35,319
Resources	11,777	6,795	2,280			20,852
<b>Total GF Capital Programme</b>	<b>94,341</b>	<b>44,600</b>	<b>13,641</b>	<b>716</b>	<b>15,242</b>	<b>168,540</b>

	2011/12	2012/13	2013/14	2014/15	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Unsupported Borrowing	11,632	4,643	899		(2,550)	14,624
Capital Receipts	8,107	18,064	7,643		9,345	43,159
Contributions	6,773	4,774	470		2,100	14,117
Capital Grants	48,438	20,332	6,009	468	5,371	80,618
Car Parking Surplus	200					200
DRF from Balances	1,553	3,127	250		207	5,137
DRF from Portfolios	5,451	4,399	78		6	9,934
<b>Total Financing</b>	<b>82,154</b>	<b>55,339</b>	<b>15,349</b>	<b>468</b>	<b>14,479</b>	<b>167,789</b>
<b>Surplus / (Deficit)</b>	<b>(12,187)</b>	<b>10,739</b>	<b>1,708</b>	<b>(248)</b>	<b>(763)</b>	<b>(751)</b>

13. The table above shows that following the latest update of the capital programme there is a deficit of £751,000. This can be compared to the £8.1M deficit reported to Council in September 2011. The deficit has reduced largely due to additional forecast future capital receipts. At this stage rather than make any changes to the existing programme, it is recommended that the Council continue to “over-programme’ on the basis that in future years the position should improve as evidenced by the large reduction in the forecast deficit since September. The deficit represents 0.4% of the overall capital programme which is well within the limit of 5% set in the Medium Term Financial Strategy and approved on the 13 May 2009.
14. The overall deficit of £751,000 in the programme will be met from new resources that will become available in future years or by the use of prudential borrowing, the costs of which will have to be built into future budget forecasts.
15. The table also shows that there is deficit funding in 2011/12 of £12.2M. However, analysis of likely slippage estimates that the size of the cashflow problem should be less than £10.0M. It is proposed at this stage to manage the deficit in 2011/12 by using delegated powers to prudentially borrow until future receipts allow this to be reversed and the revenue implications of this have been considered as part of the budget forecast. There is currently no reserve of receipts to fund expenditure incurred ahead of related receipts being received.
16. 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 exhausted. 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.
17. Given the lack of spare resources in the programme and the lack of available capital resources over the past three years, additions to the programme are only considered in very exceptional circumstances. The proposed capital programme in this report contains a limited number of items for approval which are detailed below.

#### **CHANGES TO THE PROGRAMME**

18. A number of changes to the overall programme have been approved at Capital Boards and via separate reports.
19. A series of recommendations are included in this report to approve the addition of £4,492,000 to the Environment & Transport portfolio to reflect the addition of the financial year 2012/13 to the capital programme for Highways, Integrated Transport and Salix Energy Efficiency initiatives are also included.

20. The Council will invest £5.7M next year and £5.4M in future years in highways infrastructure to help offset the deterioration of the City's roads and highway assets. In 2012/13 it is currently planned that this will be funded by £1.3M from the Local Transport Plan settlement (government grants), £2.7M from DRF, £1.3M from unsupported borrowing, £145,000 from capital contributions and £259,000 from other revenue contributions. Of this £4.5M is being added as part of this update of the capital programme as part of an ongoing investment programme.
21. In addition, there will be an investment of £408,000 in energy efficiency initiatives funded from government grants. The Salix programme delivers capital energy efficiency works that reduce costs and carbon emissions within Southampton City Council's non housing estate. The 2012/13 Salix programme will deliver a number of energy efficiency projects to include insulation of pipe work and building fabric, improved lighting, heating and ventilation controls and CHP. The savings from this will be reinvested up to the level of £100,000 each year to create a self-sustained budget for ongoing projects which demonstrate appropriate pay back and which deliver additional savings and contribute to the sustainability agenda.
22. A recommendation is included to add a sum of £519,000 to the Leisure & Culture capital programme for works at the Guildhall. Southampton Guildhall is the iconic back drop to the new Guildhall Square which has seen many successful large scale public events following its £4.5M refurbishment in 2010. With the £15M Sea City Museum opening in April 2012, and the £21M new arts complex opening in 2015, it is essential that the Guildhall remains open to the public, contributing to the Cultural Quarter identity with a vibrant and inclusive programme of events. Extending the Guildhall contract with Live Nation puts a commitment on the Council to keep the building in a defined state of repair. The building condition definition of "Fit for Purpose" is that the Council will provide the venues in a sufficient state of repair for Live Nation to safely open the building to staff and the public in order to provide the Service.
23. A recommendation is included to add a sum of £805,000 to the Adult Social Care & Health capital programme in 2012/13 funded from government grant for the following works.
  - National Care Standards and H&S works (£468,000) – This scheme will involve undertaking internal and external works to all of the Council's own Residential Homes. The aim is to improve the safe functioning of each home, to that end included within this scheme are a series of specific works identified as necessary to meet the H&S standards. In addition some works are being proposed that will maximise effective outcomes for users in line with standards the Council expect from private providers of residential care.
  - Replacement of Appliances & Equipment (£80,000) – Many of the internally provided care services are building based. To facilitate the provision of services at these buildings there is a requirement to have certain large items of equipment such as commercial catering, laundry and ancillary items. Inevitably, on occasion these items will breakdown and need repair or in some cases require replacement. It is proposed that the additional funding for this scheme will enable the replacement and repairs programme that has existed in prior years to continue at the same level into 2012/13.



- Sembal House Redevelopment (£257,000) – This scheme will involve the redevelopment and refurbishment of Sembal House. This is required to enable the relocation of the City Care First Support, (CCFS) team and the City Limits service. The relocation of City Limits is required to meet a saving on the lease costs and the current lease for premises in Shirley expires in April 2012. CCFS is expanding to meet greater numbers of clients and greater levels of need with the aim of reducing overall long term care needs for clients. This expansion will mean that the current base at Woodside Lodge is no longer sufficient in size for the number of staff. In addition there will remain a day service for severely disabled clients based at Sembal House, an element of the proposed works will maximise the facilities for this service. The complete schedule of work proposed will remodel the interior of the building to meet all of these objectives and provide for the first redecoration in six years.

### **NEW SPENDING PRIORITIES PUT FORWARD BY CABINET**

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

### **RESOURCE IMPLICATIONS**

#### **Capital**

25. As set out in the report details.

#### **Revenue**

26. 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**

27. 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**

28. None

### **LEGAL IMPLICATIONS**

#### **Statutory power to undertake proposals in the report:**

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

#### **Other Legal Implications:**

30. 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

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

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**KEY DECISION?** Yes/No YES

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
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## SUPPORTING DOCUMENTATION

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

### Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations since September 2011 Capital Update
3.	Major Reasons for Changes in Capital Resources

### Documents In Members' Rooms

1.	None
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### Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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### Other Background Documents

**Integrated 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 2010/11 to 2013/14 as approved by Council on the 14 September 2011.	
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