

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	THE GENERAL FUND CAPITAL PROGRAMME 2012/13 TO 2015/16		
<b>DATE OF DECISION:</b>	18 SEPTEMBER 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>			
None.			

### **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 13 February 2013. 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 £26.7M. 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 £167.0M (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. There have also been changes to portfolio structures and these are set out for clarity.
- iv) Add, £2,820,000 to the Environment & Transport Capital Programme funded by Local Transport Plan (LTP) government grant in 2014/15 for Integrated Transport Schemes (£1,351,000) and Highways Maintenance Schemes (£1,469,000).
- v) Add a sum of £508,000 to the Children's Services Capital Programme for Bitterne Park 6<sup>th</sup> Form in 2013/14 funded by government grant.

- vi) 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.
- vii) Note that additional temporary borrowing taken out in 2010/11 and 2011/12 due to cash flow issues, now totalling £9.4M, is expected to be repaid by the end of 2014/15 when anticipated capital receipts are finally forecast to be received.
- viii) Note that in addition to the forecast capital receipts that are assumed as a key element of funding the capital programme presented for approval, there may be additional receipts that flow from the sale of assets programme. Towards the end of 2013/14, it should be possible to better estimate the amount and timing of any forecast additional receipts.
- ix) 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 2013. 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:

	2012/13	2013/14	2014/15	2015/16	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Latest Programme	54,562	67,658	29,280	14,957	557	167,014
Feb 2013 Programme	63,558	47,034	23,666	4,282	1,790	140,330
<b>Variance</b>	<b>(8,996)</b>	<b>20,624</b>	<b>5,614</b>	<b>10,675</b>	<b>(1,233)</b>	<b>26,684</b>

5. The above table shows that the General Fund Capital Programme has increased by £26.7M. 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	59,579	51,361	8,218
Economic Development & Leisure (Economic Development)	21,951	22,100	(149)
Economic Development & Leisure (Leisure)	4,301	2,827	1,474
Environment & Transport A	53,814	41,645	12,169
Environment & Transport B (City Services)	3,886	1,178	2,708
Health & Adult Services	3,733	3,251	482
Housing & Sustainability	7,476	6,809	667
Resources	12,274	11,159	1,115
<b>Total GF Capital Programme</b>	<b>167,014</b>	<b>140,330</b>	<b>26,684</b>

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 2012/13 was reported to Council on 17 July 2013 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 2013 are detailed in Appendix 4 and summarised in the table below:

	£000's
Unsupported Borrowing	1,155
Capital Receipts	1,453
Contributions	1,721
Capital Grants	21,964
Direct Revenue Financing from Balances	(16)
Direct Revenue Financing from Portfolios	407
<b>Total Change in Available Resources</b>	<b>26,684</b>

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 26.

13. Changes announced in June will also potentially impact on both Health & Adult Services and Housing & Sustainability as funding which has previously been allocated as a capital grant to the Council becomes part of the Integration Transformation Fund. The impact of these changes is unclear and so additional resources beyond 2014/15 have not been added at this stage.

### OVERALL USE OF RESOURCES

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

	2012/13	2013/14	2014/15	2015/16	Later Years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Children's Services	28,385	22,336	5,024	3,834	0	<b>59,579</b>
Economic Development & Leisure (ED)	807	5,491	7,512	8,030	111	<b>21,951</b>
Economic Development & Leisure (Leisure)	791	1,204	1,670	617	19	<b>4,301</b>
Environment & Transport A (E&T)	13,829	26,986	11,995	1,004	0	<b>53,814</b>
Environment & Transport B (City Services)	601	2,864	421	0	0	<b>3,886</b>
Health & Adult Services	2,106	1,627	0	0	0	<b>3,733</b>
Housing & Sustainability	1,776	1,343	2,458	1,472	427	<b>7,476</b>
Resources	6,267	5,807	200	0	0	<b>12,274</b>
<b>Total GF Capital Programme</b>	<b>54,562</b>	<b>67,658</b>	<b>29,280</b>	<b>14,957</b>	<b>557</b>	<b>167,014</b>

Unsupported Borrowing	5,540	4,397	0	0	0	<b>9,937</b>
Capital Receipts	10,729	6,315	3,092	8,162	300	<b>28,598</b>
Contributions	2,658	5,445	3,559	653	19	<b>12,334</b>
Capital Grants	32,436	44,545	21,814	5,355	127	<b>104,277</b>
DRF from Balances	0	2,610	385	0	0	<b>2,995</b>
DRF from Portfolios	3,199	4,346	430	787	111	<b>8,873</b>
<b>Total Financing</b>	<b>54,562</b>	<b>67,658</b>	<b>29,280</b>	<b>14,957</b>	<b>557</b>	<b>167,014</b>

15. 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 2013.

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 changes in the economic climate have 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. 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. A repayment of £2.6M was made during 2012/13 leaving the outstanding balance at £9.4M. The additional 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 and based on the latest forecast of capital receipts the outstanding balance of temporary borrowing undertaken to date of £9.4M will be repaid by the end of 2014/15. 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.
20. 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.
21. 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.
22. Last year the Council 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. It should be noted that the exact total and timing of such receipts is still very much unknown and will be subject to change however, it should allow the Council to build up a reserve of receipts in future years. The use to which any additional receipts are put will be considered in the light of the Council's priorities.

## **CHANGES TO THE PROGRAMME**

23. 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.
24. 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.
25. A recommendation is included to add a sum of £2,820,000 to the unapproved section of the Environment & Transport Capital Programme in 2014/15 funded from government grants. This represents the remainder of the total 2014/15 Local Transport Plan (LTP) allocation of £4,652,000 that has not already been allocated as match funding for schemes within the programme. Funding of £1,351,000 is provisionally allocated in this report to deliver a range of transport improvement schemes as identified in the Local Transport Plan 3. These include public transport, improved safety, road safety, cycling and pedestrian schemes and public realm enhancements. The remaining funding of £1,469,000 is provisionally allocated to deliver highways maintenance. The Roads Programme (Principal, Classified & Unclassified) continues to reflect the need to maintain the structural integrity of the citywide highways network. The programme is designed in line with the Transport Asset Management Plan (TAMP).
26. 2014/15 will be the last year that the full LTP grant will be allocated directly to the Council. From 2015/16, whilst the full maintenance allocation will be allocated directly, the integrated transport allocation will have over 40% of its value diverted to the Single Local Growth Fund, which is administered by the Local Enterprise Partnership (LEP). The LEP will allocate this funding to Growth Fund initiatives but funding will not be ring fenced for transport.
27. A recommendation is included to add the sum of £508,000 to the Children's Services Capital Programme for the Bitterne Park 6th Form College scheme funded by government grant. The project has experienced difficulties whilst on site and costs have increased significantly above the contract sum. The council has secured an extra grant of £508,000 from the Education Funding Agency towards the additional costs.

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

28. 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**

29. 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.

30. 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.
31. Appendix 3 contains detail about financial and project issues within each Portfolio Capital Programme which need to be brought to the attention of Council.
32. There are three 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
Children's Services	Newlands Primary	229	CS 11
Economic Development & Leisure	Sea City Phase 2	358	LEIS 3

**Key Favourable Financial Variances**

Portfolio	Scheme	Favourable Forecast £000's	Appendix 3 See Reference
Resources	Art Gallery Roof	540	RES 2



33. There are two schemes where there are corporate project issues as shown in the table below:

**Key Project Issues**

<b>Portfolio</b>	<b>Scheme</b>	<b>Appendix 3 See Reference</b>
Children's Services	Bitterne Park 6 <sup>th</sup> Form	CS 12
Children's Services	Renewable Heat Incentive	CS 13

**RESOURCE IMPLICATIONS**

**Capital**

34. As set out in the report details.

**Revenue**

35. 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**

36. 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**

37. None

**LEGAL IMPLICATIONS**

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

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

**Other Legal Implications:**

39. 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

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

**KEY DECISION?** Yes

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

### Appendices

1.	General Fund Capital Programme – Scheme Details
2.	Major Variations Since the February 2013 Capital Update
3.	Key Issues – September 2013 Programme Update
4.	Major Changes in Capital Resources Since the February 2013 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)
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1.	The General Fund Capital Programme 2012/13 to 2015/16 as approved by Council on the 13 February 2013.	
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