

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	GENERAL FUND CAPITAL OUTTURN 2015/16		
<b>DATE OF DECISION:</b>	20 JULY 2016		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Sue Poynter</b>	<b>Tel:</b> 023 8083 4153
	<b>E-mail:</b>	<a href="mailto:Sue.Poynter@Southampton.gov.uk">Sue.Poynter@Southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	<b>Mel Creighton</b>	<b>Tel:</b> 023 8083 4897
	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@Southampton.gov.uk">Mel.Creighton@Southampton.gov.uk</a>	

#### **STATEMENT OF CONFIDENTIALITY**

NOT APPLICABLE

#### **BRIEF SUMMARY**

The purpose of this report is to outline the General Fund capital outturn position for 2015/16 and seek approval for the proposed financing of the expenditure. This report also highlights the major variances against the approved estimates and sets out the revised estimates for 2016/17 which take account of slippage and re-phasing.

#### **RECOMMENDATIONS:**

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

(i)	Notes the actual capital spending in 2015/16 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 2016/17, adjusted for slippage and re-phasing and additions contained within this report, as shown in Appendix 3.
(iii)	Approves the proposed capital financing in 2015/16 as shown in paragraph 13.
(iv)	Notes that the capital programme remains fully funded up to 2019/20 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 and the use of prudent assumptions of future Government Grants to be received.
(v)	Approve the addition and spend of £1.57M to the Environment and Transport portfolio capital programme in 2016/17 to fund the purchase of 10 refuse collection vehicles as detailed in paragraph 25.
(vi)	Approve the addition and spend of £0.68M in 2015/16 to the Education

		and Children's Social Care programme; to be funded by a reduction in 2016/17. As detailed in paragraph 26 and as shown in Appendix 4.
	(vii)	Approve the 2016/17 budget virements within the Education and Children's Social Care Programme, to procure modular building for primary expansion. As detailed in paragraph 27 and shown in Appendix 4.
	(viii)	Approve the amendment to the funding source of the Studio 144 project, within the Leaders' Programme. £1.80M to be funded from mixture of capital grants, contributions and receipts instead of capital contributions from fundraising; as detailed in paragraph 28.
	(ix)	Approve the addition and spend of £3.30M in 2016/17 to the Transformation programme; to be funded from capital receipts. As detailed in paragraph 29.
	(x)	Approve the revised General Fund Capital Programme, which totals £182.84M (as detailed in paragraph 31) and the associated use of resources (as detailed in paragraph 32).
<b>REASONS FOR REPORT RECOMMENDATIONS</b>		
1.	The reporting of the outturn position for 2015/16 forms part of the approval of the statutory accounts.	
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>		
2.	None as the outturn and financing for 2015/16 have been prepared in accordance with statutory accounting principles.	
<b>DETAIL (Including consultation carried out)</b>		
<b>CONSULTATION</b>		
3.	<p>Directors, Heads of Service and Project Managers have been consulted in preparing the reasons for variations contained in Appendix 1.</p> <p>The General Fund Capital Programme outturn summarises additions to the capital programme and slippage and rephasing since the last approved programme reported in February 2016. 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 for each portfolio.</p>	
<b>CAPITAL OUTTURN 2015/16</b>		
4.	Total General Fund capital expenditure in 2015/16 was £37.07M compared to an estimate of £49.49M, giving an under spend of £12.42M or 25.10% of the programme.	
5.	The performance of individual capital programmes in 2015/16 is summarised in table 1 below.	
Table 1 – Summary of the General Fund Capital Outturn 2015/16		

Portfolio	Approved	Actual	Variance	Variance
	£M	£M	£M	%
City Services	1.02	0.75	0.27	26.47
Communities, Culture & Leisure	1.38	1.20	0.18	13.04
Education & Childrens Social Care	8.19	8.96	(0.77)	(9.40)
Finance	1.40	1.20	0.20	14.29
Health & Adult Social Care	0.35	0.25	0.10	28.57
Housing & Sustainability	3.17	2.06	1.11	35.02
Leaders	14.89	7.43	7.46	50.10
Transformation	0.10	0.09	0.01	10.00
Transport	18.99	15.13	3.86	20.33
<b>Total GF Capital Programme</b>	<b>49.49</b>	<b>37.07</b>	<b>12.42</b>	<b>25.10</b>

6. Reasons for major variances on individual schemes are given for each Portfolio in Appendix 1.

7. Appendix 2 shows the 2015/16 latest approved estimate and actual spend, together with the total spend for all years for each scheme to date, compared to the total scheme budget.

8. Slippage accounted for £14.17M of the under spend offset by re-phasing of £0.56M on some schemes to bring expenditure forward, the remaining £1.18M being true over spends. Table 2 below shows the breakdown by portfolio and Appendix 2 provides a more detailed breakdown of the variance by scheme.

Table 2 – Slippage and Rephasing By Portfolio

Portfolio	Slippage/ (Rephasing)	Under/ (Over)Spend	Variance
	£M	£M	£M
City Services	0.26	0.01	0.27
Communities, Culture & Leisure	0.29	(0.11)	0.18
Education & Childrens Social Care	0.45	(1.22)	(0.77)
Finance	0.20	0.00	0.20
Health & Adult Social Care	0.01	0.09	0.10
Housing & Sustainability	1.00	0.11	1.11
Leaders	7.45	0.01	7.46
Transformation	0.01	0.00	0.01
Transport	3.92	(0.06)	3.86
<b>Total</b>	<b>13.61</b>	<b>1.18</b>	<b>12.42</b>

9.	The revised estimates for 2016/17, adjusted for slippage and re-phasing are shown in Appendix 3.																		
10.	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 reductions being made elsewhere in the programme.																		
11.	<p>A number of major forecast under or over spends in 2015/16 have been identified at this stage (as detailed in Appendix 1) including:</p> <ul style="list-style-type: none"> <li>• Sea City Museum - £0.10M overspend</li> <li>• St Johns Primary &amp; Nursery School Expansion - £0.86M overspend</li> <li>• School Asbestos Removal - £0.13M underspend</li> </ul>																		
12.	The impact of scheme variances for 2015/16 on future years' capital expenditure will be reported to Council Capital Board and will feed into future capital programme updates aligned to Council Priorities and Outcomes.																		
13.	Table 3 below shows the proposed basis of financing the General Fund capital programme. Council is asked to approve this financing.																		
	<p><u>Table 3 – General Fund Capital Financing 2015/16</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;"><b>£M</b></th> </tr> </thead> <tbody> <tr> <td>Total Financing Required</td> <td style="text-align: right;"><b>37.07</b></td> </tr> <tr> <td><b>Financed By: -</b></td> <td></td> </tr> <tr> <td>    Council Resources</td> <td style="text-align: right;">9.72</td> </tr> <tr> <td>    Capital Grants</td> <td style="text-align: right;">23.72</td> </tr> <tr> <td>    Capital Contributions</td> <td style="text-align: right;">2.75</td> </tr> <tr> <td>    Capital Receipts</td> <td style="text-align: right;">0.50</td> </tr> <tr> <td>    Direct Revenue Financing (Portfolios)</td> <td style="text-align: right;">0.38</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>37.07</b></td> </tr> </tbody> </table>		<b>£M</b>	Total Financing Required	<b>37.07</b>	<b>Financed By: -</b>		Council Resources	9.72	Capital Grants	23.72	Capital Contributions	2.75	Capital Receipts	0.50	Direct Revenue Financing (Portfolios)	0.38	<b>Total</b>	<b>37.07</b>
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	<b>PRUDENTIAL INDICATORS</b>																		
14.	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 2016 Annual Treasury Management Strategy and Prudential Limits report.																		
	<u>Table 4 – Figures for Prudential Indicators</u>																		

	<b>Actual</b>	<b>Estimates</b>			
	<b>2015/16 £M</b>	<b>2015/16 £M</b>	<b>2016/17 £M</b>	<b>2017/18 £M</b>	<b>2018/19 £M</b>
General Fund	37.07	49.25	111.08	6.28	0.27
15.	The reason for the difference between the General Fund estimate for 2015/16 in Table 4 above and the estimate shown elsewhere in this report is due to a number of changes to the programme being approved between the Treasury Management Strategy report being written and approved in February and the end of the financial year in March.				
16.	This indicator for 2016/17 to 2019/20 will be updated as part of any future programme updates. The Treasury Management Outturn 2015/16 report, elsewhere on the Council Agenda, contains details of the other Prudential Indicators.				
<b>CAPITAL PROGRAMME FUNDING</b>					
17.	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, allowing a significant non recurrent saving to be made. Following a review and recalculation of MRP it has been established that there was an over provision of MRP for the period up to 31 <sup>st</sup> March 2016, so no MRP was applied for 2015/16 except for PFI schemes, finance leases and deferred debt charges.				
18.	It should therefore be noted that £2.67M capital receipts received in 2015/16 have been held in the capital receipts reserve to be utilised in 2016/17. Planned capital expenditure previously planned to be funded from capital receipts has been funded from borrowing.				
19.	It was reported to Council on 10 February 2016 Capital Programme Update that Direct Revenue Financing (DRF) funding would be held in revenue to offset the shortfall in the approved Minimum Revenue Provision (MRP) revenue saving, due to the timing of expected capital receipts. As noted above there was no MRP charge, so DRF funding was not required.				
20.	It should be noted that following a full review of revenue reserves as part of revenue closedown, and as noted in the Revenue Outturn Report 2015/16 elsewhere on this agenda, a new Capital Funding Risk Reserve has been established. £3.22M of DRF funding was transferred into this reserve.				
21.	The current Capital Strategy was approved by Council in February 2016. This includes the process for implementing and approving changes to the current capital programme and for allocating funding to new schemes linked to the Council's key strategic priorities and outcomes. This process will continue to be managed via the Council Capital Board.				
<b>CAPITAL RECEIPTS</b>					

22.	Funding for the capital programme has previously been 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.																																			
23.	Table 5 below shows the previous and current capital receipt assumptions, together with the actual receipts received in year. Future year assumptions are 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 increase is due to increased sale prices, reflecting market conditions.																																			
<p><u>Table 5 – Capital Receipt Assumptions</u></p> <table border="1"> <thead> <tr> <th></th> <th>2015/16 £M</th> <th>2016/17 £M</th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Actual</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Latest Forecast</td> <td>2.67</td> <td>15.39</td> <td>1.17</td> <td>0.00</td> <td>0.00</td> <td>19.23</td> </tr> <tr> <td>Previous Forecast</td> <td>2.61</td> <td>15.31</td> <td>1.17</td> <td>0.00</td> <td>0.00</td> <td>19.09</td> </tr> <tr> <td><b>Variance</b></td> <td><b>0.06</b></td> <td><b>0.08</b></td> <td><b>0.00</b></td> <td><b>0.00</b></td> <td><b>0.00</b></td> <td><b>0.14</b></td> </tr> </tbody> </table>			2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M	Actual							Latest Forecast	2.67	15.39	1.17	0.00	0.00	19.23	Previous Forecast	2.61	15.31	1.17	0.00	0.00	19.09	<b>Variance</b>	<b>0.06</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.14</b>
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24.	As reported to Council on 10 February 2016 the proposal to utilise capital receipts to repay debt enabling a revenue MRP holiday was under review. Due to a review of the MRP calculation there was no requirement to utilise any capital receipts. Therefore £2.67M has been transferred into a capital receipts reserve to draw on in 2016/17.																																			
<b>PROPOSED PROGRAMME CHANGES</b>																																				
<u>Transport Programme</u>																																				
25.	In 2016/17 the Council is intending to purchase 10 refuse collection vehicles, in addition to the existing approved programme, in support of the Environment & Transport service. Approval is therefore sought for the addition of £1.57M to the Environment & Transport capital programme and for approval to spend this sum, funded from council resources.																																			
<u>Education &amp; Childrens Social Care Programme</u>																																				
26.	In order to fund the 2015/16 overspends within the Education and Children's Social Care programme, project managers have identified a number of projects within the 2016/17 programme which are no longer proceeding or need the level of funding originally anticipated. Approval is sought to reduce the 2016/17 programme by £0.68M as detailed in Appendix 4.																																			
27.	The Education and Children's Social Care programme has identified a need to vire funding between projects in 2016/17. This is due to updated procurement information for the purchase of modular buildings to deal with bulge classes. There is no effect on the overall value of the programme. Approval is sought to amend the programme as set out in Appendix 4.																																			
<u>Leaders Programme</u>																																				

28.	The funding requirement for the Studio 144 project includes a fundraising target of £2.10M. Southampton Cultural Development Trust was established to drive this and the fundraising for Sea City Museum. To date £0.32M for the Arts Complex has been secured, in reality it is unlikely that any further funding will be secured. The Council had agreed to underwrite the fundraising target at the outset of the project. Therefore the £1.80M shortfall within the Leaders' Programme funding is proposed to be funded partly from capital grants (£1.55M), miscellaneous capital contributions (£0.15M) and capital receipts (£0.10M) instead of all capital contributions.																																										
	<u>Transformation Programme</u>																																										
29.	In order to complete the implementation of the Digital Transformation Programme across the council to deliver target savings new funding of £2.38M is required. Further funding of £0.92M to support the additional identified Journeys is also needed. All figures have been fully costed and include contingency funds. All expenditure is due to be incurred in 2016/17 and will be fully funded from capital receipts.																																										
	<b>OVERALL CAPITAL PROGRAMME</b>																																										
30.	The table below shows a comparison of the latest forecast planned capital programme for the period 2015/16 to 2019/20, including any amendments noted elsewhere within this report, compared to the previously reported programme.																																										
	<p><u>Table 6 – Programme Comparison</u></p> <table border="1" data-bbox="272 1111 1412 1357"> <thead> <tr> <th></th> <th>2015/16 £M</th> <th>2016/17 £M</th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Latest Programme</td> <td>37.07</td> <td>130.33</td> <td>13.90</td> <td>1.44</td> <td>0.10</td> <td><b>182.84</b></td> </tr> <tr> <td>Previous Programme</td> <td>49.25</td> <td>111.24</td> <td>6.28</td> <td>0.27</td> <td>0.10</td> <td><b>167.14</b></td> </tr> <tr> <td><b>Variance</b></td> <td><b>(12.18)</b></td> <td><b>19.09</b></td> <td><b>7.62</b></td> <td><b>1.17</b></td> <td><b>0.00</b></td> <td><b>15.70</b></td> </tr> </tbody> </table>		2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M	Latest Programme	37.07	130.33	13.90	1.44	0.10	<b>182.84</b>	Previous Programme	49.25	111.24	6.28	0.27	0.10	<b>167.14</b>	<b>Variance</b>	<b>(12.18)</b>	<b>19.09</b>	<b>7.62</b>	<b>1.17</b>	<b>0.00</b>	<b>15.70</b>														
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31.	The above table shows that the General Fund Capital Programme has increased by £15.70M to £182.84M.																																										
32.	Table 7 shows the use of resources to finance the General Fund Capital Programme up to and including 2019/20.																																										
	<p><u>Table 7 – Use of Resources</u></p> <table border="1" data-bbox="272 1682 1412 1928"> <thead> <tr> <th></th> <th>2015/16 £M</th> <th>2016/17 £M</th> <th>2017/18 £M</th> <th>2018/19 £M</th> <th>2019/20 £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>Council Resources</td> <td>10.22</td> <td>90.05</td> <td>7.97</td> <td>1.26</td> <td>0.10</td> <td><b>109.60</b></td> </tr> <tr> <td>Contributions</td> <td>2.75</td> <td>4.47</td> <td>0.53</td> <td>0.08</td> <td>0.00</td> <td><b>7.83</b></td> </tr> <tr> <td>Capital Grants</td> <td>23.72</td> <td>33.07</td> <td>4.95</td> <td>0.00</td> <td>0.00</td> <td><b>61.74</b></td> </tr> <tr> <td>DRF from Portfolios</td> <td>0.38</td> <td>2.74</td> <td>0.45</td> <td>0.10</td> <td>0.00</td> <td><b>3.67</b></td> </tr> <tr> <td></td> <td><b>37.07</b></td> <td><b>130.33</b></td> <td><b>13.90</b></td> <td><b>1.44</b></td> <td><b>0.10</b></td> <td><b>182.84</b></td> </tr> </tbody> </table>		2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	Total £M	Council Resources	10.22	90.05	7.97	1.26	0.10	<b>109.60</b>	Contributions	2.75	4.47	0.53	0.08	0.00	<b>7.83</b>	Capital Grants	23.72	33.07	4.95	0.00	0.00	<b>61.74</b>	DRF from Portfolios	0.38	2.74	0.45	0.10	0.00	<b>3.67</b>		<b>37.07</b>	<b>130.33</b>	<b>13.90</b>	<b>1.44</b>	<b>0.10</b>	<b>182.84</b>
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33.	It should 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. The grants are predominately in relation to the schools programme and allocation of the Schools Basic Needs and Conditions Grants in 2016/17.
34.	Table 7 demonstrates that the most significant amount for funding is provided by Council Resources, which at present, will be mainly through borrowing. Borrowing costs are in the main met within a central provision. However, £2.15M of borrowing costs were funded from within the portfolios.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
35.	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. In addition any revenue consequences arising from new capital schemes are considered as part of the approval process for each individual scheme.
<b><u>Property/Other</u></b>	
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.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
37.	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.
<b><u>Other Legal Implications:</u></b>	
38.	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.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
39.	The outturn for 2015/16 forms part of the overall statutory accounts.

<b>KEY DECISION?</b>	Yes/No
<b>WARDS/COMMUNITIES AFFECTED:</b>	NONE
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	



1.	Capital Outturn 2015/16 – Details of Significant Variances	
2.	Scheme Budget Variances 2015/16	
3.	Revised Estimates 2016/17	
4.	Education & Children’s Social Care Amendments to 2016/17 Budget	
<b>Documents In Members’ Rooms</b>		
1.		
2.		
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		Yes/No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		Yes/No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
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.		