

DECISION-MAKER:	CABINET		
SUBJECT:	THE GENERAL FUND CAPITAL PROGRAMME 2016/17 TO 2020/21		
DATE OF DECISION:	15 NOVEMBER 2016		
REPORT OF:	CABINET MEMBER FOR FINANCE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

Appendix 6 is confidential, the confidentiality of which is based on category 3 of paragraph 10.4 of Councils Access to Information Procedure Rules. It is not in the public interest to disclose this because doing so would prejudice the authority's ability to achieve best consideration in financing the programme.

BRIEF SUMMARY

The purpose of this report is to inform Cabinet of any major changes in the overall General Fund Capital Programme for the period of 2016/17 to 2020/21, highlighting the changes in the programme since the last reported position to Cabinet in August 2016.

The net result of the changes since the previous report is that the current overall programme has increased by £6.32M.

RECOMMENDATIONS:

It is recommended that Cabinet:

- (i) Approve the revised General Fund Capital Programme, which totals £151.74M (as detailed in paragraph 4) and the associated use of resources.
- (ii) Notes that £0.37M has been added to the General Fund overall programme, with approval to spend in 2016/17, under delegated powers. These additions are detailed in paragraph 6 and Appendix 2.
- (iii) Approve the addition of a total of £5.98M to the General Fund programme and approval to spend £5.98M as detailed in paragraphs 10 - 18, Appendices 1, 2 and 3. Approval to spend is requested subject to any variations from the spend detailed in the report being reviewed and approved by the Council Capital Board and not exceeding the amounts identified within this programme.
- (iv) Notes that £0.04M has been removed from the overall General Fund programme, as detailed in paragraph 6 and Appendix 2.
- (v) Notes that £0.04M has been re-phased from 2017/18 to 2016/17 within the Transport portfolio, as detailed in paragraph 19 and Appendix 3.
- (vi) Notes that the revised General Fund Capital Programme is based on

- prudent assumptions of future Government Grants to be received.
- (vii) Notes the changes to the General Fund programme, as summarised in Appendix 2 and described in detail in Appendix 3.
 - (viii) Approve the slippage and re-phasing as set out in paragraph 20 and as described in detail in Appendix 3.
 - (ix) Notes that the General Fund forecast position at Quarter 2 is £153.39M, resulting in a potential overspend of £1.65M, as detailed in paragraph 22, Appendix 5 and confidential Appendix 6.
 - (x) Notes the position on the Housing Revenue Account Capital Programme as detailed in paragraphs 39 to 42 and in appendices 7 and 8.

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 since the last approved programme set in the Quarter 1 monitoring report in August 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 support for each portfolio.

THE FORWARD CAPITAL PROGRAMME

4. Table 1 below shows a comparison of the latest approved capital expenditure for the period 2016/17 to 2020/21 compared to the previously reported programme.

Table 1 – Programme Comparison

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Total £M
Latest Programme	98.83	50.77	1.47	0.37	0.30	151.74
Previous Programme	129.97	13.91	1.44	0.10	0.00	145.42
Variance	(31.14)	36.86	0.03	0.27	0.30	6.32

5. The above table shows that the General Fund Capital Programme has increased

by £6.32M. Appendix 1 provides details of each portfolios latest programme and the financing of that programme.

6. There was an overall increase in the programme of £6.32M. This includes a decrease of £0.04M, within the Education & Children’s Social Care programme, which is offset by an increase of £0.37M relating to additions to the programme approved under delegated powers, all phased in 2016/17 and the addition of £5.98M which is seeking approval within this report. These changes are summarised in Appendix 2 and detailed in Appendix 3.

CHANGES TO THE OVERALL PROGRAMME

7. The change in individual portfolios’ capital programmes is shown in Table 2.

Table 2 – Changes in Portfolio Programmes

	Latest Programme £M	Previous Programme £M	Total Change £M
City Services	2.78	1.91	0.87
Communities, Culture & Leisure	1.21	1.21	0.00
Education & Childrens Social Care	31.67	31.70	(0.03)
Finance	1.87	1.27	0.60
Health & Adult Social Care	0.63	0.13	0.50
Housing & Sustainability	5.56	3.65	1.91
Leaders	83.53	82.38	1.15
Transformation	3.71	3.71	0.00
Transport	20.78	19.46	1.32
Total GF Capital Programme	151.74	145.42	6.32

8. 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.
9. 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.
10. The proposed programme includes the following additions, totalling £5.98M.
City Services
11. A review of the City Services Programme has identified a number of new projects to improve the City’s parks and play areas, as detailed in Appendix 3. Approval is sought for the addition £0.86M to the City Services Programme and for approval to spend this sum, to be phased £0.48M in 2016/17 and £0.38M in 2017/18. These projects will be funded by S106 contributions (£0.39M), Grants (£0.04M), DRF (£0.02M) and Council Resources (£0.42M).

Education & Children’s Social Care

12. In order to manage known budget variations a number of virements, as set out in Appendix 3, are requested for approval. There is no net effect to the programme.

Health & Adult Social Care

13. As part of the Centenary Quay Development, £0.22M was awarded in S106 contributions to provide increased healthcare provision. A new project is required to allow the Council to support existing healthcare providers cope with increased demand due to the development. Approval is sought for £0.22M to be added to the Health and Adults Social Care Programme and approval to spend, in 2016/17 to be fully funded from specific S106 funding. As detailed in Appendix 3.

Housing & Sustainability

14. In 2016/17 £1.70M was received via the Better Care Fund to fund Disabled Facilities Grant. This is an increase of £0.80M on the previous year, as it is intended to offset the removal of the Adults Social Care Budget. It is the intention of the service to increase the level of mandatory Disabled Facilities Grants to the full value of the grant. Approval is sought for the addition of £1.70M to the Housing & Sustainability Programme and for approval to spend this sum, phased £1.00M in 2016/17 and £0.70M in 2017/18, to be fully funded from the Government grant. As detailed in Appendix 3.
15. In order to support this increased scheme there will be additional supports costs totalling £0.21M. Approval is sought for the addition £0.21M to the Housing & Sustainability Programme in 2016/17 and for approval to spend this sum, to be funded by Right-to-Buy receipts. As detailed in Appendix 3.

Leaders

16. As part of the final stages of the Watermark West Quay project, there is an obligation to pay the developer the final Regional Growth Fund payment. Approval is sought for the addition of £1.06M to the Leaders Programme and approval to spend, to be funded by specific S106 contributions in 2016/17. As detailed in Appendix 3.

Transport

17. The Cleaner Bus Transport Fund project's original proposals are no longer feasible, so the service has negotiated with DfT to secure the use of the funding for "fast-track implementation of 'off the shelf' electric vehicle technology and complementary promotional and behaviour change measure to reduce road journeys and alleviate air pollution in the city". If this project does not proceed the funding would need to be returned to DfT. Approval is therefore sought to vire £0.78M and an additional £0.46M within the Transport Programme, and approval to spend £1.24M. It will be fully funded by Government Grant, as detailed in Appendix 3.
18. A need has been identified to resurface Bitterne Precinct in 2016/17. Approval is sought for the addition of £0.86M to the Transport Programme, and approval to spend, to be funded by capital contributions. As detailed in Appendix 3.

SLIPPAGE AND REPHASING

19. The programme identifies £0.04M of rephasing from 2017/18 into 2016/17 within the Transport programme, to fund the Bus Corridor Minor Works project. This was approved under delegated powers and is detailed in Appendix 3.

20. The proposed programme identifies £36.06M of net slippage and rephasing from 2016/17 into future years as detailed in Table 3 below. This is a significant sum (26.7% of the 2016/17 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, with further explanations detailed in Appendix 3.

Table 3 – Slippage and Rephasing by Portfolio

	Slippage/ Rephasing £M
City Services	(0.69)
Communities, Culture & Leisure	(0.09)
Education & Children’s Social Care	(4.72)
Finance	(0.10)
Health & Adult Social Care	0.00
Housing & Sustainability	(1.07)
Leaders	(26.53)
Transformation	0.00
Transport	(2.86)
Total Slippage/Rephasing	(36.06)

UNDER AND OVERSPENDS

21. The capital programme is now being monitored on a monthly 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 2017, with approval to update the programme for these being sought at that time.
22. After accounting for slippage, the programme is currently forecast to be overspent by £1.65M in 2016/17. The reasons for this are detailed in Appendix 3 and summarised in Appendix 5.
23. Table 4 below shows the forecast underspend by portfolio which have an overall variance:

Table 4 – Overall Programme Forecast Variance

	Latest Programme	Forecast Programme	Forecast Variance
	£M	£M	£M
Communities, Culture & Leisure	1.21	1.25	0.04
Housing & Sustainability	5.56	5.18	(0.38)
Leaders	83.53	85.52	1.99
Total Forecast (Under)/Overspend	90.30	91.95	1.65

CAPITAL RESOURCES

24. 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)
25. 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

26. 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	1.10
Contributions	2.93
Capital Grants	2.16
Direct Revenue Financing (DRF)	0.13
Total Change in Available Resources	6.32

27. 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 2016/17 these grants have been passported to these areas.
28. It can be seen that a significant proportion of the increase in resources relates to Contributions, which are predominately project specific.

29. Table 6 shows the current level of available resources.

Table 6 – Available Capital Funding

Resource	Balance B/Fwd £M	Received to Date 2016/17 £M	Allocated To Current Programme £M	Available Funding £M	Anticipated Receipts 2016/17 £M
Capital Receipts	(2.67)	(3.48)	3.40	(2.75)	(12.32)
CIL	(3.03)	(1.58)	1.35	(3.26)	(0.77)
S106	(9.78)	(0.38)	6.05	(4.11)	0.00
Misc Grants	(1.70)	0.00	1.70	0.00	0.00
	(17.18)	(5.45)	12.50	(10.12)	(13.09)

30. The table shows that the largest resource currently available is Section 106 (S106) funding. A review is underway of all S106 and Community Infrastructure Levy (CIL) monies to ensure that programmes of work are matched to the appropriate funding and to potentially identify areas where business cases could be commissioned for new projects.

OVERALL CAPITAL PROGRAMME (GF ONLY)

31. Table 7 and 8 show capital expenditure by portfolio and the use of resources to finance the General Fund Capital Programme up to and including 2020/21.

Table 7 – Capital Expenditure by Programme

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Total £M
City Services	1.71	1.07	0.00	0.00	0.00	2.78
Communities, Culture & Leisure	1.12	0.09	0.00	0.00	0.00	1.21
Education & Children's Social Care	13.13	17.37	1.17	0.00	0.00	31.67
Finance	0.89	0.38	0.03	0.27	0.30	1.87
Health & Adult Social Care	0.63	0.00	0.00	0.00	0.00	0.63
Housing & Sustainability	4.47	1.09	0.00	0.00	0.00	5.56
Leaders	56.55	26.88	0.10	0.00	0.00	83.53
Transformation	3.71	0.00	0.00	0.00	0.00	3.71
Transport	16.62	3.89	0.17	0.10	0.00	20.78
Total General Fund Programme	98.83	50.77	1.47	0.37	0.30	151.74

Table 8 – Use of Resources

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Total £M
Council Resources	63.20	34.86	1.26	0.10	0.00	99.42
Contributions	6.09	2.47	0.08	0.00	0.00	8.64
Capital Grants	28.00	12.26	0.00	0.00	0.00	40.26
DRF from Portfolios	1.54	1.18	0.13	0.27	0.30	3.42
Total Financing	98.83	50.77	1.47	0.37	0.30	151.74

32. It can be seen from Table 7 that the significant programme spend relates to Leaders Portfolio (Property Investment Fund); Education and Children’s Social Care Portfolio (Schools Programme) and Transport Portfolio (Roads Programme). It should be noted that 2016/17 capital grant assumptions have now been built in where relevant.
33. Table 8 demonstrates that after allowing for Capital Grants, which primarily relate to the Basic Needs grants for schools, a significant amount of funding is provided by Council Resources. In this financial year this will be mainly through borrowing.

CAPITAL RECEIPTS

34. 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.
35. 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.
36. Table 9 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.

Table 9 – Capital Receipt Assumptions

	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	Total £M
Latest Forecast	15.80	1.66	0.78	0.00	0.00	18.24
Previous Forecast	15.39	1.17	0.00	0.00	0.00	16.56
Change	(0.41)	(0.49)	(0.78)	0.00	0.00	(1.68)

37. It can be seen that there is likely to be an overall increase in the level of capital receipts of £1.68M 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

38. 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 full update of the strategy will be reported to Council in February 2017, however the strategy will be reviewed throughout the year.

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

39. Table 10 below shows a comparison of the latest approved Housing Revenue Account (HRA) capital programme compared to the previously reported position.

Table 10- HRA Programme Comparison

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£M	£M	£M	£M	£M	£M
Latest Programme	81.76	38.84	25.43	27.13	40.78	213.94
Previous Programme	75.44	35.04	30.98	27.13	40.78	209.37
Variance	6.32	3.80	(5.55)	0.00	0.00	4.57

40. The latest capital programme is detailed in Appendix 7.
41. Additionally, against the programme of £81.76M the programme is forecast to spend £58.49M a variance of £23.27M. This is predominantly due to forecast slippage on schemes into 2017/18. Explanations in the overall change in the programme and the forecast position are detailed in Appendix 8.
42. The increase in the programme of £4.57M will be funded from 'usable right to buy receipts' and borrowing.

RESOURCE IMPLICATIONS

Capital

39. As set out in the report details.

Revenue

40. 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/Other

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

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

43. 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

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

KEY DECISION?	Yes/No	
WARDS/COMMUNITIES AFFECTED:	All	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	General Fund Capital Programme – Scheme Details	
2.	Variations Since the June 2016 Capital Update	
3.	Key Issues – September 2016 Programme Update	
4.	Major Slippage & Rephasing	
5.	Forecast Variances	
6.	Confidential Appendix	
7.	Housing Revenue Account Capital Programme – Scheme Details	
8.	Housing Revenue Account - Key Issues	
Documents In Members' Rooms		
1.	None	
2.		
Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
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.		
2.		