

DECISION-MAKER:	CABINET
SUBJECT:	CORPORATE GENERAL FUND CAPITAL FINANCIAL MONITORING FOR THE PERIOD TO THE END OF DECEMBER 2011
DATE OF DECISION:	13 FEBRUARY 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE
STATEMENT OF CONFIDENTIALITY	
N/A	

BRIEF SUMMARY

This report summarises the General Fund capital financial position for the Authority for the nine months to the end of December 2011, and highlights any key issues by Portfolio which need to be brought to the attention of Cabinet. In addition, it also includes an update of the overall project management status of the schemes within the Capital Programme as highlighted through the Council's project management system (Sharepoint).

RECOMMENDATIONS:

It is recommended that Cabinet:

- (i) Note the current General Fund capital budget monitoring position for 2011/12 as at Month 9 (December), which is an in-year forecast over spend of **£396,000**.
- (ii) Note the current General Fund capital budget monitoring position for the overall programme, which is a forecast over spend for all schemes of **£87,000**.
- (iii) Note that two schemes (0.9%) out of a total of 214 active schemes have an overall Red RAG status. This represents around £6.5M (2.2%) out of a total overall programme budget of £296M.
- (iv) Note the capital funding position which is an overall forecast deficit of £751,000 in the programme as detailed in paragraph 8. This is within the previously approved tolerances and can be compared to the figure reported to Council in September of £8.1M.
- (v) Note that the reduction in the forecast funding deficit is largely down to additional or increased forecast future capital receipts where the timing and exact value is to a degree uncertain
- (vi) Note that the deficit will need to be met from new resources and note that any shortfall in funding at the end of 2011/12 will need to be met through the use of delegated powers to undertake temporary borrowing the revenue implications of which have been reflected in the budget forecast for the General Fund.

- (vii) Note the action plans in place, where applicable, to ensure capital expenditure remains within allocated budgets and that project delivery targets are met.

REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council’s resources.

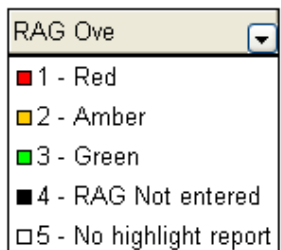
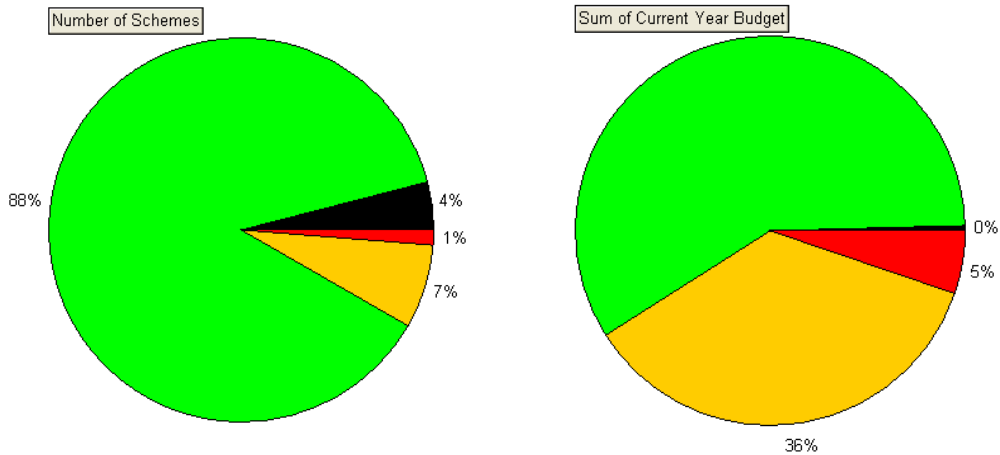
DETAIL (Including consultation carried out)

CONSULTATION

2. Heads of Service, Budget Holders and Executive Director’s have been consulted in preparing the reasons for variations contained in the financial appendices. The detailed financial and project monitoring information has also been reviewed by Capital Boards as part of the current regime. This report will also be made available to all Scrutiny Panels.

Financial Summary

3. The total current year budget represented by active projects in Sharepoint is £87.1M. Of this £4.5M relates to schemes with a budget RAG status of Red, £30.7M relates to schemes with a status of Amber and £50.8M relates to schemes with a status of Green. No RAG status was entered for a number of projects at Month 9. The following charts show the percentage split of the budget RAG status based on the number of schemes and value of schemes:



4. The capital programme is being updated elsewhere on this agenda and this report reflects the proposed new programme. Appendix 1 sets out a high level summary for the General Fund showing the overall forecast outturn position for the Council is an over spend of £396,000 in the current year and an overall forecast programme over spend for all schemes of £87,000. This is summarised below:

Portfolio	Budget 2011/12 £000's	Forecast Outturn Variance		Forecast Scheme Variance £000's	See Appendix
		£000's	%		
Adult Social Care & Health	2,652	0	0.0	0	2
Children's Services & Learning	38,765	651	1.7	(13)	3
Environment & Transport	20,550	30	0.1	32	4
Housing A - Housing General Fund	2,406	0	0.0	0	5
Housing B - Local Services & Community Safety	1,377	(80)	(5.8)	(30)	6
Leader's	2,356	(240)	(10.2)	(86)	7
Leisure & Culture	14,458	35	0.2	184	8
Resources	11,777	0	0.0	0	9
Portfolio Total	94,341	396	0.4	87	

5. The Key issues affecting each portfolio are set out in Appendices 2 to 9, as per the table above.

Corporate Financial Issues

- 6.. There are two schemes where a material variance is being forecast. This is to be expected due to the fact that the budgets have recently been reviewed as part of the update of the Capital Programme which is to approved by Council on 15 February 2012. The variances which are adverse are shown in the table below.

Key Adverse Variances

Portfolio	Scheme	Adverse Forecast £000's	See Appendix & Reference
Environment & Transport	Roads St Michael's Street	108	4 – E&T 1
Leisure & Culture	Sea City	185	8 – LC 1

Slippage

7. There are no schemes where there is any significant slippage forecast in the year. This again is largely due to the fact that the budgets have recently been reviewed ready to be approved in February 2012 as part of the Capital Programme Update. However historic spend shows that there is consistently slippage from the figures approved in February and therefore it is anticipated that there will in fact be slippage from the forecasts outlined in this report.

Funding the Capital Programme

8. A variety of resources can be utilised to fund the capital programme such as grants from government and other bodies, contributions, capital receipts and unsupported borrowing. In the proposed update of the capital programme elsewhere on this agenda there is forecast deficit of £751,000 which can be compared to the £8.1M deficit reported in September 2011.
9. 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.
10. 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.
11. 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.

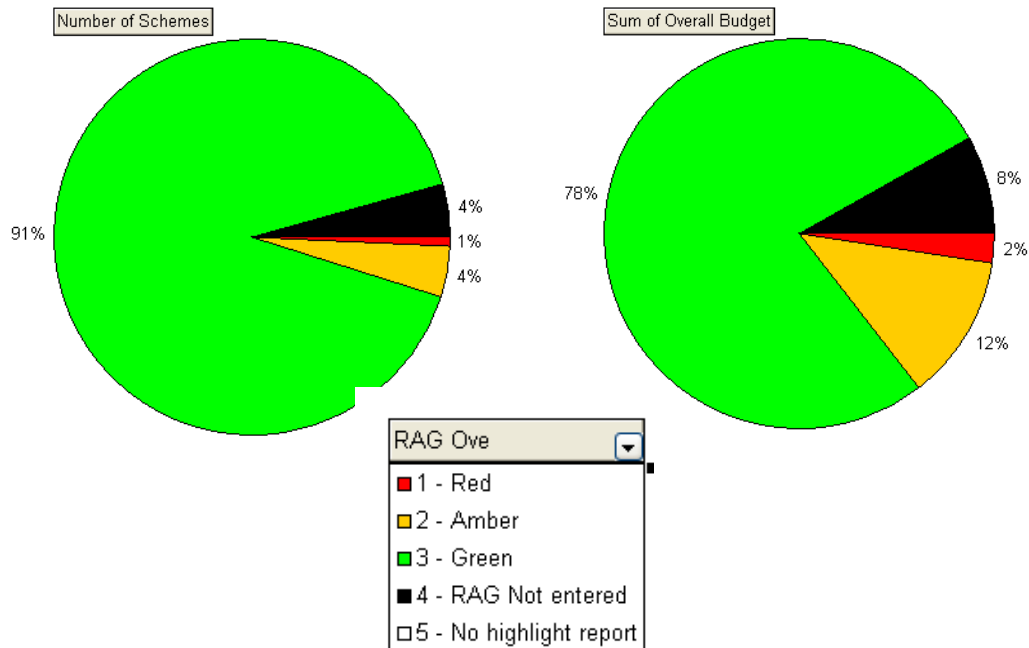
12. The overall deficit of £751,000 in the programme will be met from new resources that will become available in future years or by the use of prudential borrowing, the costs of which will have to be built into future budget forecasts. There is deficit funding in 2011/12 of £12.2M. However, analysis of likely slippage estimates that the size of the cash flow 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.

Capital Programme Management

13. Whilst this report focuses on the financial monitoring of the Capital Programme, effective and robust reporting also requires an assessment of the overall effectiveness of the delivery of the programme, for example, with regard to outcomes and timeliness.
14. 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.
15. 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.

Project Management Summary

16. At Month 9, of the 214 active projects currently in Sharepoint, two have an overall RAG status of Red, seven have a status of Amber and 184 have a status of Green (leaving 21 with no recorded RAG status). The following graphs show the percentage split of the overall RAG status based on the number of schemes and the value of schemes:



17. The following table shows a portfolio breakdown of the value pie chart above:

Portfolio	Red	Amber	Green	RAG Not Entered	No Highlight Report	Total
Adult Social Care & Health Capital	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Children's Services & Learning Capital	10.9%	0.9%	87.7%	0.5%	0.0%	100.0%
Environment & Transport Capital	0.0%	4.4%	95.4%	0.1%	0.0%	100.0%
Housing General Fund Capital	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Leader's Portfolio Capital	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Leisure & Culture Capital	0.0%	0.0%	99.7%	0.3%	0.0%	100.0%
Local Services & Community Safety Capital	0.0%	1.2%	97.8%	1.0%	0.0%	100.0%
Resources Capital	0.0%	90.3%	9.7%	0.0%	0.0%	100.0%
Total	3.2%	13.4%	83.1%	0.3%	0.0%	100.0%

Corporate Project Management Issues

18. There are a small number of schemes where there are corporate project issues to report this month. These schemes are highlighted in the table below with further explanation provided in Appendices 2 and 9

Portfolio	Scheme	Project Category	Overall RAG Status	See Appendix & Reference
Children's Services & Learning	Bitterne Park 6 th Form	Gold	Red	3 – CSL 1
Children's Services & Learning	Increased Places at Freemantle Academy	Silver	Red	3 – CSL2
Resources	Accommodation Action Strategy Programme (ASAP)	Gold	Amber	9 – RES 1

RESOURCE IMPLICATIONS

Capital/Revenue

19. The capital implications are contained in the report and there are no revenue implications in 2011/12.
20. The revenue implications of any additional temporary borrowing which is needed to finance the capital programme will need to be built into the budget forecast for future years.

Property/Other

21. None.

LEGAL IMPLICATIONS

Statutory Power to undertake the proposals in the report:

22. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council.

Other Legal Implications:

23. None.

POLICY FRAMEWORK IMPLICATIONS

24. Not applicable.

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SUPPORTING DOCUMENTATION

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

Appendices

1.	General Fund Financial Summary
2.	Adult Social Care & Health Portfolio
3.	Children's Services & Learning Portfolio
4.	Environment & Transport Portfolio
5.	Housing Portfolio A – Housing General Fund
6.	Housing Portfolio B – Local Services & Community Safety
7.	Leader's Portfolio
8.	Leisure & Culture Portfolio
9.	Resources Portfolio

Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject/recommendations in the report require an Integrated Impact Assessment to be carried out.	No
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Other Background Documents

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 2011/12 to 2014/15 to be approved by Council on 15 February 2012	
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Integrated Impact Assessment and Other Background documents available for inspection at:

WARDS/COMMUNITIES AFFECTED:	None
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