

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	4 February 2010
<b>Title:</b>	Capital programme 2010/11 to 2012/13
<b>Reference:</b>	1269
<b>Report From:</b>	County Treasurer

**Contact name:** Jon Pittam

**Tel:** 01962 847400

**Email:** jon.pittam@hants.gov.uk

## **1. Executive Summary**

- 1.1. This report sets out for approval the proposed capital programme for 2010/11 to 2012/13, based on the guidelines agreed by Cabinet on 21 December 2009 including support for capital schemes from the Government.
- 1.2. The report collates the service capital programmes prepared by Executive members. It shows that the projected payments arising from the capital programme can be financed within existing resources, with a small amount of temporary prudential borrowing of £0.4m in 2012/13.
- 1.3. The proposals take account of the County Council's capital strategy and the Prudential Code for Capital Finance in Local Authorities including the capital financing position, the level of debt outstanding and the consequences for the revenue budget and council tax. The prudential indicators are included in Appendix 8 of the report on this Agenda on the Revenue Budget.
- 1.4. The other main points of the report are:
  - the proposed capital programmes are in line with the guidelines set by Cabinet for the locally resourced programme, together with schemes supported by Government grant and borrowing allocations
  - the level of capital receipts is not forecast to recover until towards the end of the period of this capital programme with only a limited number of disposals expected in 2010/11 and 2011/12 from sites that are particularly attractive to developers in the current financial climate
  - the Executive Lead Member for Children's Services has proposed using additional prudential borrowing totalling £5.6m between 2010/11 and 2014/15 to finance new primary schools in development areas in

Andover, Waterlooville and Aldershot in advance of contributions from developers. This borrowing is expected to be repaid by 2015/16 but could be more than £5.6m and outstanding for longer if the developer contributions are delayed

- the Executive Lead Member for Children's Services has also proposed using additional prudential borrowing of £1.3m to finance part of the cost of amalgamating infant and junior schools in Yateley, to be repaid from the Schools budget
- the Executive Member for Policy and Resources has proposed using prudential borrowing of £2.5m for the Havant Public Service Village scheme (cost £13.1m) in advance of office disposals elsewhere in Havant
- for the County Council in total, loans outstanding for prudential borrowing will peak at £107m in 2009/10. The repayment of the bridging loans included in this total will depend on the recovery of the property market. The current assumptions are that they will be fully repaid by 2015/16
- the total value of the programme over the three-year period from 2010/11 to 2012/13 is £309m.

## **2. Background**

- 2.1. At its meeting on 21 December 2009, Cabinet confirmed the provisional guidelines for the new capital programme previously agreed in the Medium Term Financial Strategy in October 2009. These guidelines for the locally resourced capital programme for 2010/11 to 2012/13 were set at the same reduced level as the current capital programme for 2009/10 to 2011/12. This reflected the continued uncertainty about the level of capital receipts likely to be available to finance the locally resourced capital programme.
- 2.2. Executive members have now prepared proposals for:
  - a locally resourced capital programme for the three-year period from 2010/11 to 2012/13 within these guidelines
  - a programme of schemes in 2010/11 supported by Government grants or supported borrowing allocations already announced by the Government and those expected to be supported in 2011/12 and 2012/13, subject to limits restricting the take-up of Government supported borrowing allocations.

## **3. Expenditure and resources cashflow - summary**

- 3.1. Table 1 shows the annual capital expenditure flows from the proposed capital programme, compared with the financing resources available.

**Table 1 – Capital expenditure and resources**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Expenditure	185,606	199,300	137,910	86,637
Resources	178,520	198,712	137,780	85,878
	-----	-----	-----	-----
Shortfall (+) / Surplus (-)	7,086	588	130	759
To be met from the capital reserve	-7,086	-588	-130	-402
Shortfall to be financed by temporary borrowing	----- -	----- -	----- -	----- 357
	-----	-----	-----	-----
Cumulative shortfall of resources	-	-	-	-357
Capital reserve balance at the end of the year	-1,520	-532	-402	-

**Table 1 /continued – Capital expenditure and resources 2013/14 onwards**

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Expenditure	65,035	58,139	41,519	38,382
Resources	65,143	58,490	41,667	41,167
	-----	-----	-----	-----
Shortfall (+) / Surplus (-)	-108	-351	-148	-2,785
Use of the surplus to repay temporary borrowing	108	249	-	-
Shortfall to be financed by temporary borrowing	----- -	----- -	----- -	----- -
	-----	-----	-----	-----
Cumulative shortfall of resources	-249	-	-	-
Capital reserve balance at the end of the year	-	-102	-250	-3,035

- 3.2. This shows an improved and more stable financing position than a year ago with less reliance on temporary prudential borrowing. This is due to the additional contributions from the revenue budget of £1m agreed as part

of the final accounts for 2008/09 and £4.8m now proposed in the report on the Revenue Budget. The balance of the Capital Reserve at 1 April 2009 of £8.6m will be used to finance expenditure between 2009/10 and 2012/13. A relatively small amount of temporary prudential borrowing of just under £0.4m will then be necessary in 2012/13 to balance the cashflows. This should be repaid in 2013/14 and 2014/15.

- 3.3. The forecasts are likely to change before this temporary prudential borrowing is necessary in 2012/13 and the position will be reassessed at the next review of the capital programme.
- 3.4. Progress during 2010/11 on all capital payments and resources will be closely monitored and reported to the Leader and Cabinet during the year. Executive members will also review progress on their capital programmes at regular intervals during the year.
- 3.5. Appendix 2 includes details of the longer term implications of the proposed programmes for the revenue budget from increased running costs and capital charges.

#### **4. Prudential borrowing**

- 4.1. In November 2003, Cabinet agreed a framework for the use of prudential borrowing under the Prudential Code for Capital Finance introduced by the Local Government Act 2003. 'Prudential borrowing' does not attract Government revenue grants towards the loan charges. Instead, the loan repayments and interest charges have to be financed by the County Council from its own resources. Because of the potential impact on the County Council's overall financial position, it is important that the use of prudential borrowing is very closely controlled and monitored.
- 4.2. The framework, as updated by Cabinet in February 2006, includes:
  - borrowing for which loan charges are financed by virement from the Executive member's revenue budget, including invest-to-save schemes that will generate revenue savings or additional revenue income
  - 'bridging' finance that will be repaid by eventual capital receipts, capital grants or contributions, provided that the cost of interest and the statutory minimum revenue provision is met by services in the years that such costs are incurred
  - capital investment by business units
  - temporary borrowing to accommodate shortfalls in general capital resources.
- 4.3. The overall level of proposed prudential borrowing is summarised in the following table.

**Table 2 – Prudential borrowing**

	Specific projects £000	Repaid £000	Temporary shortfall £000	Repaid £000	Total £000
2004/05 actuals	20,372	-	-	-	20,372
2005/06 actuals	12,893	-	1,861	-	14,754
2006/07 actuals	22,864	-3,855	-	-1,861	17,148
2007/08 actuals	21,687	-14,939	-	-	6,748
2008/09 actuals	47,282	-2,450	-	-	44,832
2009/10 estimate	7,597	-6,309	-	-	1,288
2010/11 estimate	3,196	-9,606	-	-	-6,410
2011/12 estimate	2,500	-29,901	-	-	-27,401
2012/13 estimate	-	-7,794	357	-	-7,437
2013/14 estimate	2,615	-5,073	-	-108	-2,566
2014/15 estimate	2,142	-1,480	-	-249	413
2015/16 estimate	-	-5,391	-	-	-5,391

4.4. The schemes funded by these advances are summarised in Table 3.

**Table 3 – Summary of outstanding and planned prudential borrowing advances**

	£000
Financed from savings in the revenue budget	58,766
'Bridging' loans on specific projects to be repaid from capital receipts and developer contributions	61,437
Trading units' capital investment to be financed from future charges	2,205
Temporary borrowing to meet short-term capital resources shortfalls	2,218
	-----
Total	124,626
	-----

4.5. Most of the prudential borrowing is 'bridging loans' in advance of capital receipts or developers' contributions. All these bridging loans are expected to be fully repaid by 2015/16. In addition to these lump sum repayments, £59m of the prudential borrowing will be repaid from savings in the revenue budget, including the Enhance nursing care homes, waste management infrastructure and structural maintenance of highways.

4.6. For bridging loans raised since the beginning of 2006/07, services have been required to meet the annual cost of interest and principal repayment from their revenue budgets or existing capital programmes, or by setting

aside part of their shares of other capital receipts. This eliminates the strain on the County Council's annual revenue budget which would otherwise have to be met by savings elsewhere or be charged to the council tax.

- 4.7. In deciding whether the level of prudential borrowing set out in Table 2 is appropriate, it is necessary to consider whether the overall level of prudential and Government-supported borrowing complies with the requirements of the Prudential Code for Capital Finance in Local Authorities. The prudential indicators used as part of the process of assessing compliance are included in Appendix 8 of the report on this Agenda on the Revenue Budget.

## 5. Guideline cash limits for the capital programme

- 5.1. The guidelines for the locally resourced programme were confirmed by Cabinet in December 2009 at the levels set out in the Medium Term Financial Strategy agreed in October 2009.
- 5.2. 'Locally resourced' schemes are those financed from the County Council's own resources such as capital receipts, contributions from the revenue budget, reserves and other funds. They do not include schemes supported by capital grant or borrowing allocations from the Government.
- 5.3. The guidelines for the current locally resourced programme were reduced by one-third in February 2009 in response to the lower forecasts of capital receipts likely to be available to support the capital programme. This followed the sharp decline in the demand for development land as a result of the financial crisis in 2008.
- 5.4. The guidelines for 2010/11 to 2012/13 agreed by Cabinet in December 2009 have been set at the same reduced level, plus an allowance for inflation, as uncertainty remains about future capital receipts. The reduction is £8.4m per annum which means that, with the impact of the credit crunch and recession, the capital programme is £34m lower over the four years from 2009/10 to 2012/13.
- 5.5. The guidelines set by Cabinet for each service are shown in Table 4.

**Table 4 – Guidelines for locally resourced capital programmes  
2010/11 to 2012/13**

	2010/11	2011/12	2012/13
	£000	£000	£000
Adult Services	481	598	481
Children's Services	90	90	90
Culture, Communities and Rural Affairs	388	417	448
Environment	6,304	6,465	6,304
Policy and Resources	6,494	6,509	6,494
	-----	-----	-----
Total	13,757	14,079	13,817
	-----	-----	-----

- 5.6. Subsequent virements to or from revenue proposed by Executive members and other adjustments are listed in the sections below on each service's proposed capital programme.
- 5.7. The basis for the capital programme supported by Government grants and borrowing allocations was also confirmed by Cabinet in December 2009. The Government has announced its support up to 2010/11 only, in its most recent Spending Review in July 2007. Executive members have been asked to include schemes in their proposed programmes for 2011/12 and 2012/13 based on their expectation of Government support in that year, assuming that the County Council's current policy of limiting the take-up of borrowing allocations would continue. This policy follows the Government's decision not to provide full revenue grant support towards the loans raised by the County Council on the basis of the so-called 'supported' borrowing allocations. Continued lobbying on this issue has not persuaded the Government to recognise the cost of new borrowing allocations in its calculation of the revenue grant floor or, alternatively, provide its support in the form of capital grants. This mainly affects Children's Services, Environment and Policy and Resources.
- 5.8. The assumptions by Executive members about the level of Government support are:
- |                      |  |
|----------------------|--|
| Children's Services  | 50% reduction in Government support in both 2011/12 and 2012/13                      |
| Environment          | 15% reduction in Government support in 2011/12<br>No programme submitted for 2012/13 |
| Policy and Resources | 50% reduction in Government capital support in both 2011/12 and 2012/13              |
- 5.9. These assumptions reflect indications from the relevant Government departments. In the case of Environment, it is proposed that consideration of the 2012/13 programme is deferred for a year, when the outcome of the Department for Transport's Local Transport Plan settlement should be known.
- 5.10. The capital programme will need to be reviewed after the General Election when the Government announces its future spending plans.

## **6. The programmes submitted**

- 6.1. The total starts value of the three-year programme submitted by Executive members is £309m, as shown in Table 5. It includes £237m of schemes supported by Government allocations.

**Table 5 – Starts programmes submitted 2010/11 to 2012/13**

	Land £000	Works, Fees, Furniture and Equipment			Total programme including Land £000
		Locally resourced programmes £000	Schemes supported by Government allocations £000	Total Works, Fees etc £000	
2010/11	746	22,529	123,941	146,370	147,216
2011/12	747	22,900	67,850	90,750	91,497
2012/13	746	24,714	45,112	69,826	70,572
Total	2,239	70,143	236,903	306,946	309,285

- 6.2. The proposed programmes are in line with the guidelines set in December 2009. A reconciliation between the guidelines and the proposed programme is included in Appendix 1.
- 6.3. The capital expenditure flows from these programmes and from the works currently in progress are summarised in Appendix 2, together with the resources available to finance those expenditure flows. The programmes themselves are set out in detail in the yellow pages in Appendix 3.
- 6.4. The following sections summarise the programmes prepared by Executive members and highlight the issues arising.

## 7. Adult Services

- 7.1. The proposed programme for Adult Services in Appendix 3 is in line with the guidelines for the locally resourced programme. The proposed programme also includes schemes to use a number of capital grants from the Government, as listed in Table 6.

**Table 6 – Adult Services – Government capital grants**

	2010/11 £000	2011/12 £000	2012/13 £000
Mental Health	290	-	-
Social Care Infrastructure	322	-	-
Common Assessment Framework	1,610	-	-
Total Adult Services capital grants	2,222	-	-

- 7.2. Following a review of the capital programme for 2009/10, the Executive Member has identified £0.54m of uncommitted resources, which it is proposed, should be carried forward to 2010/11. These resources are for:

	£000
Extra care housing	180
Residential care homes	360
	-----
Total resources to be carried forward to 2010/11	540
	-----

- 7.3. These amounts have been added to the proposed capital programme for 2010/11.

## 8. Children's Services

- 8.1. The proposed programme for Children's Services of £150m over the next three years is supported primarily by the Government with capital grant and borrowing allocations, as Table 7 shows.

**Table 7 – Children's Services capital programme – resources available**

	2010/11 £000	2011/12 £000	2012/13 £000	Total £000
Resources carried forward				
- from 2008/09 and 2009/10	3,276	-	-	3,276
- from 2009/10 now proposed	8,110	-	-	8,110
- from 2010/11	-833	833	-	-
- from 2011/12	-	-2,192	2,192	-
Government borrowing allocations				
- new pupil places	6,231	3,116	3,116	12,463
- Schools Access Initiative	2,447	1,223	1,223	4,893
- Modernisation	524	262	262	1,048
- less reduced take-up of allocations	-1,760	-880	-880	-3,520
Government's capital grants:				
- Modernisation	5,036	2,518	2,518	10,072
- less advanced to 2009/10	-845	-	-	-845
- schools' devolved capital	21,049	10,524	10,524	42,097
- less advanced to 2009/10	-8,361	-	-	-8,361
- primary capital programme	11,825	3,000	3,000	17,825
- Sure Start	7,787	-	-	7,787
- extended schools	1,049	-	-	1,049
- Youth Capital Fund	514	-	-	514
- Targeted Capital Fund	6,300	-	-	6,300

**Table 7 – Children’s Services capital programme – resources available**

	2010/11 £000	2011/12 £000	2012/13 £000	Total £000
- Aiming High - disabled children	1,588	-	-	1,588
- less transferred to CCRA	-300	-	-	-300
- Government grants assumed in 2011/12 and 2012/13	-	8,232	8,232	16,464
Local resources:				
- guideline	90	90	90	270
- capital receipt anticipated	500	-	-	500
- developer funded schemes (see paragraph 8.14 below)	7,016	9,678	12,000	28,694
- land for schemes in the programme	100	100	100	300
<b>Total</b>	<b>71,343</b>	<b>36,504</b>	<b>42,377</b>	<b>150,224</b>

- 8.2. Prudential borrowing totalling £5.625m will be necessary to finance new primary school schemes in advance of the receipt of developers’ contributions. This is considered in more detail in paragraph 8.14 below.
- 8.3. The Executive Lead Member for Children’s Services proposes carrying forward capital resources of £8.1m from the 2009/10 programme to 2010/11. These resources have been added to the proposed programme for 2010/11 in this report. The deferred schemes are listed in Table 8.

**Table 8 – Children’s Services schemes to be deferred from 2009/10 to 2010/11**

	Project cost £000	Resources to be carried forward £000
Bransgore Primary	30	30
Stanmore Primary School, Winchester	690	640
Robert Mays Secondary School, Odiham	553	170
Basingstoke School Plus	2,500	2,500
South East Assessment Unit	500	500
Education and Inclusion Service General	392	392
Specialist Facilities Improvements	300	300
Park Community – Co-location	925	685
Dove House, Basingstoke	725	75
Specialist Schools (Burgate School)	100	100
Stepping Stones, Fordingbridge	230	60

**Table 8 – Children’s Services schemes to be deferred from 2009/10 to 2010/11**

	Project cost £000	Resources to be carried forward £000
Food Technology – Purbrook Park	300	300
Locks Heath Infant and Junior	161	161
Management of Falling Rolls	165	165
Staff Workforce Projects	158	158
Schools Access Initiative	158	158
Health and Safety Swimming Pools	463	463
Developers’ contributions	616	616
Asset Management Plan data provision	200	200
14-19 projects	437	437
	-----	
Total project cost	9,603	
		-----
Total resources carried forward		8,110
		-----

### Modernisation funding

- 8.4. As in previous years, the Government’s Modernisation funding (formerly known as New Deal for Schools or NDS) has been divided between the Children’s Services capital programme and condition works included in the Policy and Resources capital programme using the 46% : 54% split agreed by the Executive members in July 2003.
- 8.5. In 2007/08, the Government made available an advance of grant funding of £11.8m for the Modernisation programme, to be recovered by equal deductions from the allocations for the three years from 2008/09 to 2010/11. This advance and the recoupsments have also been divided between Children’s Services and Policy and Resources using the 46% : 54% ratio.
- 8.6. The Government also agreed to advance £6.3m of grant from 2010/11 to 2009/10 to help alleviate some of the impact of the financial crisis on the economy. This has been divided between Children’s Services and Policy and Resources according to the nature of work supported by the advance.
- 8.7. The total Modernisation (NDS) funding is shown in Table 9. The Government has not yet announced the amounts for 2011/12 and 2012/13. for the purposes of preparing the capital programme, it has been assumed that the likely reductions in public spending will lead to a 50% cut in Government support for Children’s Services capital investment.

**Table 9 – Modernisation funding for schools – formerly known as the New Deal for Schools**

	2010/11	2011/12	2011/12
	£000	assumed	assumed
	£000	£000	£000
Children's Services – modernisation			
- funded by borrowing allocation	524	262	262
- funded by grant	6,851	2,518	2,518
- less grant advanced to 2007/08	-1,815	-	-
- less grant advanced to 2009/10	-845	-	-
	-----	-----	-----
Total – modernisation	4,715	2,780	2,780
Policy and Resources – condition			
- funded by borrowing allocation	616	308	308
- funded by grant	8,043	2,956	2,956
- less grant advanced to 2007/08	-2,131	-	-
- less grant advanced to 2009/10	-5,484	-	-
	-----	-----	-----
Total – condition	1,044	3,264	3,264
	-----	-----	-----
Total	5,759	6,044	6,044
	-----	-----	-----

- 8.8. The borrowing allocations in Table 9 are subject to the County Council's decision not to take up in full the Government's borrowing allocations.
- 8.9. If the assumptions about the level of the Government's support in 2011/12 and 2012/13 for the Modernisation (New Deal for Schools) programme in Table 9 prove to be correct at around £6m per annum in total, it will represent a significant reduction from the levels reached in 2007/08 of £24m.

#### **Other Government allocations**

- 8.10. Briefly the other capital allocations from the Government in Table 7 are:
- schools devolved capital grant, intended by the Government to provide each school with its own capital money to address its own priorities
  - primary capital programme grant, to renew primary school buildings with a long-term strategic approach to capital investment based on the Children's Plan
  - Sure Start grant, including children's centres phase 3 and allocations to improve the quality of accommodation in early years and childcare settings, mainly those operated by private providers. The grant includes additional amounts for building maintenance of the children's centres which has been added to the Policy and Resources capital programme

- extended schools grant, to provide pump priming capital funding to develop extended schools
  - Youth Capital Fund grant, continuing the previous allocations to develop youth premises
  - Targeted Capital Fund grant, allocated to authorities on a flat rate basis with the Government's priority likely to be given to special education and 14-19 programmes
  - disabled children grant (Aiming High), to improve opportunities for families with disabled children to enjoy short breaks.
- 8.11. Pending the Government's decisions on its future spending plans, it has been assumed that the level of grant funding will be halved in 2011/12 and 2012/13. An aggregated amount of £8.2m has been included for both years.

### **The Government's total capital support for the Children's Services**

- 8.12. The Government has provided £68.5m in support for capital investment in Children's Services in Hampshire for 2010/11, in the form of capital grant and borrowing allocations, as Table 10 shows. A further £14.7m has been advanced by the Government from 2010/11 to 2009/10 to support the economy during the financial crisis, so the underlying levels of support in 2009/10 and 2010/11 are broadly similar. It is expected that this may be significantly reduced as the Government reconsiders its future spending plans.

**Table 10 – Government support for capital spending on Children's Services**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Children's social care	145	144	144	144
New pupil places	6,231	6,231	3,116	3,116
Schools access initiative	2,447	2,447	1,223	1,223
Schools' devolved capital	20,724	21,049	10,524	10,524
- advanced to 2009/10	8,361	-8,361	-	-
Modernisation (formerly NDS)	6,352	5,560	2,780	2,780
Condition (formerly NDS)	7,457	6,528	3,264	3,264
- advanced to 2009/10	6,329	-6,329	-	-
DSG funded capital repairs	11,461	11,719	11,719	11,719
DSG funded smart meters	1,000	-	-	-
Sure Start grant	10,123	7,787	-	-
Sure Start grant – condition	453	477	-	-
Youth capital fund grant	514	514	-	-
Primary capital programme	9,447	11,825	3,000	3,000
Extended schools grant	2,030	1,049	-	-
Targeted capital fund	2,254	6,300	-	-
Disabled children grant	681	1,588	-	-
Specialist schools grant	300	-	-	-

**Table 10 – Government support for capital spending on Children’s Services**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Food technology grant	600	-	-	-
Adult safeguarded learning grant	900	-	-	-
Kitchen and dining facilities grant	625	-	-	-
Co-location grants	1,385	-	-	-
Other grants at 50% level	-	-	8,232	8,232
	-----	-----	-----	-----
Total Government support	99,819	68,528	44,002	44,002
	-----	-----	-----	-----

- 8.13. As explained in paragraph 5.7, Cabinet agreed in December 2008 to limit the take-up of Government borrowing allocations. The impact on the Children’s Services is summarised in Table 11 below.

**Table 11 – Take-up of Government support for capital spending on Children’s Services**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Capital grants	90,996	59,706	39,519	39,519
Borrowing allocations	8,823	8,822	4,483	4,483
	-----	-----	-----	-----
Total – as Table 10	99,819	68,528	44,002	44,002
Reduction in take-up of borrowing allocations				
- Children’s Services	-5,332	-1,760	-880	-880
- Policy & Resources (condition)	-3,692	-117	-58	-58
	-----	-----	-----	-----
Net total	90,795	66,651	43,064	43,064
	-----	-----	-----	-----

**Prudential borrowing for the Children’s Services capital programme**

- 8.14. Five new primary schools in development areas have been included in the capital programme for 2010/11 to 2012/13. These schemes will be partly funded from developers’ contributions. They include two primary schools at East Anton in Andover and one each at Picket Twenty in Andover, the West of Waterlooville and Aldershot Urban Extension. Developers are expected to provide £28.7m towards the £40.5m cost of the new schools, with the balance to be met from resources from the Government. In addition, subsequent extensions will be required at two of the new schools

starting in 2012/13 at cost of £2.7m, to be funded from Government support for Children's Services.

- 8.15. The new schools are required to meet the growth in pupil numbers arising from localised development pressures. On the basis of current forecasts of capital payment flows, it is likely that some prudential borrowing will be required to bridge the timing gap before some of the developers' contributions are received. It is currently expected that £5.6m will need to be borrowed, as summarised in Table 12. Most of the borrowing will not be required until 2013/14 and 2014/15, with it all being fully repaid by 2015/16. The position will need to be kept under review, including the availability and timing of both developers' contributions and Government support, when the capital programme is considered again next year.

**Table 12 – Prudential borrowing for new primary schools funded by developers' contributions**

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Borrowing	868	-	-	2,615	2,142	-	5,625
Repayments	-	-854	-14	-	-480	-4,277	-5,625
Loans outstanding	868	14	-	2,615	4,277	-	-

### **Amalgamation of Yateley Infant School and St Peter's Church of England School, Yateley**

- 8.16. Cabinet agreed proposals to amalgamate these two schools in Yateley on 29 June 2009. The cost of providing a permanent solution for the new school is estimated to be £1.9m, with £0.574m available from within the Children's Services capital programme. It is proposed that the balance of £1.326m should be met by prudential borrowing which will be repaid from the Schools budget. This proposal was approved by Schools Forum on 20 October 2009. The Executive Lead Member for Children's Services has requested that Cabinet approve the prudential borrowing and the addition of £1.326m to the Children's Services capital programme for 2009/10.

### **Pressures on the Children's Services capital programme**

- 8.17. The Executive Lead Member for Children's Services reports that there are sufficient resources to fund all schemes which need to be started in 2010/11. The position for 2011/12 and following years continues to be difficult because of the combination of:
- the anticipated reduction in Government support from 2011/12
  - the need to fund the cost not met by developers' contributions of the new primary schools to serve major developments in Andover, West of Waterlooville and Aldershot

- the Cabinet decision not to take up in full the Government's borrowing allocations. This will reduce the resources available for the Children's Services capital programme by £3.5m for the new three-year period from 2010/11 to 2012/13.
- 8.18. The actual timing of the new primary school projects will depend on when planning consents are granted to developers for the residential development and the forecast rate of housing completions. With developers' contributions meeting only about two-thirds of the cost of a new school and with the amount of new housing planned currently and likely to proceed after 2012, the significant pressure on the Children's Services programme is likely to continue.

### **Building Schools for the Future**

- 8.19. The County Council's entry to the national Building Schools for the Future (BSF) programme for secondary schools was announced in July 2009, for its first priority project in Havant and Horndean. The entry of the remaining nine area projects in Hampshire is dependent on the availability of funding nationally and progress in bringing these further phases to a state of readiness to enter the programme.
- 8.20. A 'Strategy for Change' (SfC) for the first priority project is currently subject to consultation and will be submitted for approval by Executive Members in March 2010, prior to submission to Partnerships for Schools (PfS). Approval of the SfC by PfS is the next key stage in the process of securing funding for the first phase of BSF investment and will be followed by an Outline Business Case, to be sent to PfS in July 2010. The best current estimate for the start of construction work is early 2012, with the likelihood that PfS will approve an earlier start for the academy (formerly Staunton Community Sports College) in autumn 2011. These dates are conditional on approvals from PfS to the key documentation and to agreement on procurement arrangements. Provision has not been made in the capital programme for BSF schemes at this stage pending the approval of the Outline Business Case.
- 8.21. Capital grant in the region of £80m is expected to be received through PfS for the first project phase of the BSF programme. The actual cost of delivering the programme is envisaged to be higher than this, with a potential funding shortfall of approximately £29m. The estimated funding gap for each of the ten phases of BSF varies, with the first phase being at the higher end of the range. This is largely because of the scale of construction work required at two schools in particular and the number of schools of medium and relatively small size. The anticipated funding gap on the second phase is at the lower end of the range.
- 8.22. The funding gap will need to be met by the County Council and this requirement was reported to Cabinet on 29 April 2009, when the future arrangements for secondary school organisation in Havant and Horndean were approved. An outline strategy to bridge the gap was referred to in the report to Cabinet and has been refined since the report was submitted. The main components of the strategy are:

- an annual contribution of £2.5m through the Children's Services capital programme, beginning in 2010/11
  - an annual contribution of £1.5m through the Policy and Resources capital programme, beginning in 2010/11
  - use of capital receipts from planned land sales at Phase 1 schools
  - procurement savings
  - use of schools' devolved capital
  - savings achieved in relation to secondary schools retained within the Policy and Resources insurance reserve
  - unspent landlord repair and maintenance budget (funded by capital expenditure from revenue), during 2010/11 and 2011/12.
- 8.23. Other opportunities to bridge the gap are being pursued, including through school contributions from balances. Further updates will be included in future capital programme reports to Executive Members and Cabinet as appropriate.

## **9. Culture, Communities and Rural Affairs**

- 9.1. The proposed capital programme for Culture, Communities and Rural Affairs is in line with the guidelines set by Cabinet.
- 9.2. Provision of £0.422m has been included in the programme for 2010/11 for the final year of the Government-funded Playbuilder programme to develop 20 to 25 play areas over three years which started in 2008/09. A further Government grant in 2010/11 of £0.3m for Aiming High will support a related programme for facilities for children with disabilities.
- 9.3. The replacement of two patrol boats for the River Hamble has been included in the programme for 2010/11, with the cost to be met from the River Hamble's reserves.
- 9.4. There is currently no provision in the proposed capital programme for works on the Basingstoke Canal identified following a condition survey which suggested that urgent remedial work costing in the region of £150,000 is required. Priorities within the proposed Culture, Communities and Rural Affairs capital programme will need to be reassessed in the light of the outcome of developments relating to the canal. These urgent remedial works are just the first part of a wider programme of work identified by the condition survey which is currently being evaluated.

## **10. Environment**

- 10.1. The resources available to fund the Environment capital programme are summarised in Table 13.

**Table 13 – Environment capital programme – resources available**

	2010/11 £000	2011/12 £000	2012/13 £000	Total £000
Government support:				
Local transport plan				
Borrowing allocation	30,296	25,752	-	56,048
Capital grant	4,452	3,784	-	8,236
	-----	-----	-----	-----
Total LTP	34,748	29,536	-	64,284
less reduced take-up of borrowing	-5,795	-4,926	-	-10,721
	-----	-----	-----	-----
	28,953	24,610	-	53,563
Road safety grant	1,077	922	-	1,999
De-trunking grant	500	425	-	925
Waste infrastructure grant	840	-	-	840
	-----	-----	-----	-----
Total Government support	31,370	25,957	-	57,327
Local resources:				
Guideline	6,304	6,465	6,304	19,073
less virements to/from revenue	694	-457	-457	-220
less return of advance for A326 safety work	-1,200	-	-	-1,200
Use of capital receipts in 2008/09	38	-	-	38
	-----	-----	-----	-----
Total local resources	5,836	6,008	5,847	17,691
	-----	-----	-----	-----
Total resources	37,206	31,965	5,847	75,018
	-----	-----	-----	-----

- 10.2. As the Government has not yet announced its spending plans beyond 2010/11, the Executive Member for Environment has assumed that Government support will be reduced by 15% in 2011/12. No Government support has been included in the programme for 2012/13 pending the outcome of the Local Transport Plan settlement due later in 2010, when it is expected that more information will be available to determine the way forward.
- 10.3. As Table 13 shows, Cabinet's decision not to take up in full the Government's borrowing allocations will reduce the resources available for the Environment capital programme by a total of £10.7m in 2010/11 and 2011/12.

- 10.4. The Executive Member for Environment proposes adjusting the starts programmes for 2010/11 and 2011/12 to make sure that the resultant expenditure flows fully use the resources available. These adjustments are summarised in Table 14 and the proposed programmes listed in full in Appendix 3.

**Table 14 – Environment’s proposed capital programme**

	2010/11 £000	2011/12 £000	2012/13 £000	Total £000
Resources available (as Table 13)	37,206	31,965	5,847	75,018
Phasing of the starts programmes to match the funding available	-190	+332	-	+142
Proposed programme	37,016	32,297	5,847	75,160

- 10.5. The proposed three-year programme also includes schemes wholly or partly funded by developers’ or other contributions totalling £16.1m, including £7.8m in 2010/11. Schemes have only been named where there is reasonable confidence in the security of funding and programme dates.

**Major transport schemes**

- 10.6. There are no new major transport schemes proposed in the 2010/11 to 2012/13 programme.

**Additional funding for structural maintenance of highways**

- 10.7. Cabinet has previously agreed to add a total of £3.6m to the Environment capital programme for 2009/10 for repairs to potholes (£1.0m), structural maintenance of U and C class roads (£2m), drainage improvements (£0.3m) and to implement the Village 30 speed limits (£0.3m).

**Household waste recycling centres**

- 10.8. The Environment capital programme has in the past included provision for facilities management at landfill sites and improvements to household waste recycling centres (HWRCs). There are no new local resources for waste management during the period 2010/11 to 2012/13. However, waste infrastructure grant from the Government of £4.86m is still available from the 2009/10 capital programme and a further £0.84m has been included in the proposed 2010/11 programme.
- 10.9. The Executive Member for Policy and Resources considered a project appraisal on 21 January 2010 for improvements at the Havant HWRC costing £1.224m. The proposals will redevelop the existing site into a modern facility that will not only improve efficiency but also tackle the traffic congestion within the site and on the adjoining network.

## 11. Policy and Resources

- 11.1. The allocation of the proposed Policy and Resources capital programme between schemes is largely based on the priorities in the existing programme. The main corporate priority continues to be the maintenance of the core buildings in the County Council's built estate, through the capital repairs programme. It supports the delivery of services countywide and specifically aims to address the priorities identified in the Corporate Risk Assessment. This ensures that key structural, health and safety and sustainability issues are addressed.
- 11.2. The proposed capital programme includes an annual provision for coastal conservation to fund schemes that will inform and deliver innovative solutions to the challenges facing the County Council's coastal landholdings. It will increase understanding of the coastal environment and the factors that affect it. Priority will be given to the development of strategies related to the outcomes of the County Council's Climate Change Commission of Inquiry and, in particular, adapting the County Council's coastal sites to future rises in sea level.

### Havant Public Service Village

- 11.3. The proposed programme for 2010/11 includes the Havant Public Sector Village project costing £13.1m which Cabinet agreed to add to the capital programme at its meeting on 21 December 2009. This project, managed jointly with Havant Borough Council, is considered to be a priority for investment because it has the potential to deliver the following objectives:
- reducing inequalities and improving the outcomes for key groups in the community by improving access to services
  - better use of resources through the introduction of flexible working and the consideration of improved Facilities Management.
  - efficiency gains made through the release of capital and revenue from the disposal of unsuitable buildings.
- 11.4. The Government's co-location fund, sponsored by the Department for Children, Schools and Families, has allocated a grant of £5.1m towards the project following a successful bid made jointly by the County Council and Havant Borough Council. The sources of funding for this project are summarised in the following table.

**Table 15 – Havant Public Service Village**

	£000
Co-location grant	5,100
Havant Borough Council contribution	5,457
Capital receipts and other savings from the disposal of offices in Havant	2,500
	-----

Total	13,057
	-----

- 11.5. It will be necessary to use prudential borrowing of up to £2.5m to bridge the timing gap before the disposal of the County Council's office properties in Havant.

**Advance and advantageous land**

- 11.6. The proposed provision for advance and advantageous purchases of land is £0.65m in each year from 2010/11 to 2012/13.

**12. Conclusions**

- 12.1. Regular reports will be made during the year on the implementation of the programme, including the progress of major projects, the level of capital expenditure and resources in 2010/11, including the progress on obtaining the capital receipts necessary to finance the capital programme.
- 12.2. In recent years, the capital programme has been the subject of a mid-year review, sometimes in conjunction with the annual review of the County Council's overall capital strategy in July or when feasibility work on significant major projects has reached completion. This will be necessary again this year after the General Election, when the Government announces its future spending plans.

**13. Recommendations**

- 13.1. The following decisions are sought, based on the recommendations of the Leader and Cabinet to the County Council, for the capital programme for 2010/11 to 2012/13:
- 1 That the possible need to use prudential borrowing of £0.4m in 2012/13 to meet a temporary shortfall of resources be noted and reassessed when the capital programme is next reviewed (paragraph 3.2)
  - 2 That prudential borrowing estimated at £5.6m to finance part of the cost of new primary schools included in the capital programme for Children's Services for 2010/11 to 2012/13, in advance of developers' contributions, be approved in principle subject to further project appraisal reports to the Executive Member for Policy and Resources on the specific proposals (paragraph 8.14)
  - 3 That prudential borrowing estimated at £1.3m to finance part of the cost of the amalgamation of Yateley Infant School and St Peter's Church of England School, Yateley be approved, to be repaid from the Schools budget, and that the scheme be added to the Children's Services capital programme for 2009/10 (paragraph 8.16)
  - 4 That prudential borrowing estimated at £2.5m be used to finance part of the scheme in the Policy and Resources capital programme for the Havant Public Service Village, in advance of the disposal of offices in Havant, be approved (paragraph 11.5)

- 5 That Adult Services capital resources of £0.54m be deferred from the 2009/10 capital programme to 2010/11 (paragraph 7.2)
- 6 That Children's Services capital resources totalling £8.11m be deferred from the 2009/10 capital programme to 2010/11 (paragraph 8.3)
- 7 That it be a recommendation to Council that:
  - a) the capital programme for 2010/11 and the provisional programmes for 2011/12 and 2012/13 be approved as set out in Appendix 3 of the accompanying report and subject to the conditions set out in section B.3 of the County Council's Financial Procedures on the responsibilities for managing the capital programme and, where appropriate, to the approval of the Executive Member for Policy and Resources to proposals by Executive members to retain more than a 25% share of capital receipts
  - b) expenditure on preliminary design and planning work for major transport schemes be permitted when they have achieved a place in the County Council's Local Transport Plan, subject to the cost being met within existing Government allocations
  - c) authority be given to incur expenditure on land purchases as follows:
    - (1) up to the sum specified in respect of sites still required for the schemes included in the capital programme for the period 2010/11 to 2012/13 provided that the relevant scheme has been the subject of a feasibility or design project appraisal approved by the relevant Executive member
    - (2) up to the amount included in the programmes for 2010/11 to 2012/13 in respect of advance and advantageous land purchases.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Business plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Business plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Business plan link number (if appropriate):	

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

### **2. Impact on Crime and Disorder:**

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific proposals.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaptation to climate change.

## Capital Programmes 2010/11 to 2012/13 Proposed by Executive Members

### 1 Summary of the proposed programmes

- 1.1 The proposed three-year programme of £309m can be reconciled with the guidelines set by the Cabinet in December 2009, as the Table 16 shows.

**Table 16 – Capital programme 2010/11 to 2012/13 – funding sources**

	£000
Guideline for the three-year locally resourced programme	
- as agreed by Cabinet in December 2009	41,653
- subsequent adjustments including virements to/from revenue	-220
	-----
Adjusted locally resourced guidelines	41,433
 Other local resources	
Use of revenue savings in 2008/09	
Adult Services – learning disability integration	247
Use of capital receipts	
Children’s Services	500
Environment	38
Use of business units’ reserves	
Hampshire Transport Management	30
River Hamble replacement patrol boats	100
Local resources carried forward from 2009/10	
Adult Services – residential care homes and extra care	540
Policy and Resources – capital repairs	500
Prudential borrowing in advance of capital receipts	
Policy and Resources – Havant Public Service Village	2,500
Prudential borrowing in advance of developers’ contributions	
Children’s Services – new primary schools	5,625
	-----
Total funding available from local resources	10,080
 Government support	
Borrowing allocations	75,684
Planned reduction in take-up of borrowing allocations	-14,474
Capital grant allocations	156,208
Resources carried forward from 2008/09 and 2009/10	
Children’s Services	11,386
Phasing of starts to match resources - Environment	142
	-----
Total funding available from Government support	228,946

**Table 16 – Capital programme 2010/11 to 2012/13 – funding sources**

	£000
Other external resources	
Contributions from other local authorities	
Policy and Resources – Havant Public Service Village	5,457
Developers' contributions towards new primary schools	
Children's Services	28,694
less required to repay prudential borrowing	-5,625
	-----
Total funding available from other external sources	28,526
	-----
Total excluding land for programmed schemes	308,985
	-----
Land for programmed schemes	300
	-----
Total programme 2010/11 to 2012/13	309,285
	-----

- 1.2 The total supported from Government grant and borrowing allocations, £229m, represents 74% of the total three-year programme of £309m. The equivalent percentage for the existing capital programme approved in February 2009 was 85%. This reduction reflects the lower assumptions about the level of Government support after 2010/11 outlined in the main part of the report. At 74%, however, it still gives the Government significant scope to influence the County Council's priorities on capital investment.
- 1.3 The Environment capital programme also includes a number of local transport schemes supported wholly or in part by developers, totalling £16m in 2010/11 and 2011/12. The individual schemes are identified in the Environment capital programme in Appendix 3.

## Capital Expenditure Flows and Financing Resources 2009/10 to 2013/14

### 1 Capital expenditure flows

- 1.1 The level of capital expenditure (or 'payment') flows is one of the factors taken into account in determining the size of the capital starts programme, together with forecasts of financing resources.
- 1.2 Expenditure flows in 2009/10 and the following three years will result from works in progress (schemes started in 2009/10 and earlier years) plus those arising from the proposed programme for 2010/11 to 2012/13, as the Table 17 below shows.

**Table 17 – Capital expenditure flows**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Works in progress at 31 March 2009 and schemes starting in 2009/10	165,250	97,880	24,411	6,425	892
Programmes starting in 2010/11 2011/12 and 2012/13	-	80,805	95,959	65,770	57,382
Highways schemes funded by developers' contributions	5,937	4,558	7,762	4,610	418
Fees – property related	13,366	12,709	7,637	6,685	5,182
Land	1,053	3,348	2,141	3,147	1,161
<b>Total expenditure flows</b>	<b>185,606</b>	<b>199,300</b>	<b>137,910</b>	<b>86,637</b>	<b>65,035</b>

- 1.3 In practice, expenditure flows in the years after 2009/10 may be higher than suggested by the table if further developer and other external contributions become available to fund additional capital schemes, as well as higher levels of Government support than currently assumed.

### 2 Resources available for capital financing

- 2.1 The sources of finance to support the capital programme are:

- Government support for borrowing, known as 'Supported Capital Expenditure (Revenue)' or SCE(R), can be either:
  - un-ringfenced SCE(R), which is allocated by the Government within its single capital pot and which can be used for any capital purpose, or
  - ringfenced SCE(R), which has to be used for specified schemes or programmes.

Since the introduction of the Prudential Capital Code in April 2004, the allocations are no longer permissions to borrow. Instead they are

notifications that the Government will provide revenue support grant (RSG) to meet the principal repayment and interest charges on loans that the County Council raises, up to the value of the allocations. However, as outlined in the main report, the County Council will not in practice receive any additional grant as its revenue grant is determined by the grant floor criteria rather than the formula.

- prudential borrowing – loans that the County Council may decide to raise in the knowledge that it will have to meet the principal repayment and interest charges from its own resources without any additional support from the Government. The County Council would need to consider the impact of such loans on the revenue budget and the prudential indicators referred to in paragraph 4.7 of the main report
- Government capital grants, now known by the Government as Supported Capital Expenditure (Capital) or SCE(C)
- contributions from other bodies, which can include developers, the health service, other local authorities and the national lottery
- capital receipts from the sale of land, buildings and other assets
- contributions from the revenue budget.

2.2 The following table shows the latest estimate of the resources available to finance capital expenditure.

**Table 18 - Resources to fund capital expenditure**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Borrowing					
Government allocations	53,834	56,837	24,951	4,454	2,614
Prudential borrowing	7,597	3,196	2,500	-	2,723
less repayments from capital receipts etc	-6,309	-9,606	-29,901	-7,794	-5,181
Capital grants	55,617	87,778	55,112	36,459	10,837
Contributions from other bodies including developers	14,568	18,908	17,985	15,163	5,097
Capital receipts	11,531	12,951	42,528	8,490	18,947
Contributions from reserves	1,047	130	-	-	-
Revenue contributions to capital less repayment from capital receipts of loans under the School Balances Loan Scheme	40,635	28,518	28,876	29,106	30,106
	-	-	-4,271	-	-
<b>New resources in the year</b>	<b>178,520</b>	<b>198,712</b>	<b>137,780</b>	<b>85,878</b>	<b>65,143</b>
Funding of expenditure from the capital reserve	7,086	588	130	402	-

**Table 18 - Resources to fund capital expenditure**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Resources to be used to repay temporary prudential borrowing	-	-	-	-	-108
Resources added to capital reserve to meet expenditure in subsequent years	-	-	-	-	-
<b>Total resources available</b>	<b>185,606</b>	<b>199,300</b>	<b>137,910</b>	<b>86,280</b>	<b>65,035</b>
Prudential borrowing to fund temporary shortfall of resources	-	-	-	357	-
<b>Total resources</b>	<b>185,606</b>	<b>199,300</b>	<b>137,910</b>	<b>86,637</b>	<b>65,035</b>

- 2.3 In total, the Government's support for the 2010/11 starts programme in the form of borrowing allocations and capital grants is £124m, ignoring the amounts advanced by the Government from 2010/11 to 2009/10 to support the economy during the financial crisis. This is 26% lower than the level reached in 2009/10 (£168m) which included one-off support for two major highway schemes, M27 Junction 5 improvements and the Bus Rapid Transit Phase 1 and Co-location grants for a number of projects.
- 2.4 The prudential borrowing shown in Table 18 includes the £3.1m for the Environment programme of structural maintenance of highways which was agreed by Cabinet in February 2008.
- 2.5 Forecasts of capital receipts in 2009/10 and 2010/11 continue to be lower than in recent years as a result of the downturn in the property market. A recovery is currently assumed in 2011/12 with a number of disposals of sites planned to repay prudential borrowing taken out to finance school and other rationalisation projects. With the present uncertainty about the duration of the recession, these estimates for capital receipts will be kept under close review.
- 2.6 Contributions from the revenue budget to fund capital payments will be £40.6m in 2009/10 and £28.5m in 2010/11. These revenue contributions provide support towards the capital repairs of buildings (£16.4m in 2010/11, including £11.7m for school capital repairs funded by the revenue Dedicated Schools Grant) and highway structural maintenance (£5.8m).
- 2.7 The revenue contributions for 2009/10 are higher than in later years at £40.6m because of the agreed use of revenue underspendings in 2008/09 to fund capital expenditure on schools' capital repairs. It also includes

additions agreed by Cabinet earlier in the year to fund additional highway maintenance and a further £4.8m to compensate for lower levels of capital receipts and external contributions.

### 3 Capital reserve

- 3.1 The balance in the Capital Reserve brought forward on the closure of the accounts for 2008/09 of £8.6m will be used to meet the shortfall of capital resources in 2009/10 and subsequent years. Table 19 summaries the position.

**Table 19 – Capital reserve**

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Opening balance	8,606	1,520	532	402	-
Used in year	-7,086	-588	-130	-402	-
Planned transfer to fund expenditure on The Square, Winchester	-	-400	-	-	-
Closing balance	1,520	532	402	-	-

### 4 Revenue implications

- 4.1 The revenue implications of the new starts programme are shown in the following table.

**Table 20 – Revenue effects**

	Running costs £000	Capital charges £000	Total £000
2010/11 starts	495	3,463	3,958
2011/12 starts	422	2,439	2,861
2012/13 starts	481	1,400	1,881
Total	1,398	7,302	8,700

- 4.2 The capital charges represent depreciation over the estimated life of the asset for most schemes. The capital charges do not affect the County Council's overall expenditure as the charges to services will be counter-balanced by a corresponding credit to the centrally managed asset account. Trading units' capital schemes also include a 3.5% return on capital employed.

- 4.3 Although the capital charges in Table 20 do not affect the County Council's overall expenditure, it will be increased by the capital financing costs on the loans raised to finance the programme. The full year revenue impact of the additional borrowing over the three-year programme will be £4.6m. Apart from the use of prudential borrowing, these costs should be reflected in the County Council's 'relative needs formula' for revenue expenditure and will attract revenue support grant from the Government broadly equivalent to the costs. However, as explained in the main report, this is not currently the case for authorities such as the County Council, that are subject to floor damping of general grant.

## 5 Debt outstanding

- 5.1 Table 21 below shows the estimated debt to be financed by the County Council including the new borrowings necessary to finance the proposed three-year programme.

**Table 21 – Debt outstanding**

	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m
Debt outstanding at the beginning of the year	583.2	614.5	639.6	610.8
New borrowings	61.4	60.0	27.5	4.8
Repayments from:				
- the revenue account	-23.8	-25.3	-26.4	-25.2
- capital receipts and developers' contributions	-6.3	-9.6	-29.9	-7.8
	-----	-----	-----	-----
Debt outstanding at the end of the year	614.5	639.6	610.8	582.6
	-----	-----	-----	-----

- 5.2 As the table shows, the amount of debt outstanding towards the end of the period will reduce as the assumed level of Government borrowing allocations falls and the 'bridging loans' of prudential borrowing are repaid by capital receipts and developers' contributions.