

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	8 February 2013
Decision Maker:	County Council
Date:	21 February 2013
Title:	Capital programme 2013/14 to 2015/16
Reference:	4591
Report From:	Director of Corporate Resources – Corporate Services

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1. Executive Summary

- 1.1. This report sets out for approval the proposed capital programme for 2013/14 to 2015/16 of £543 million.
- 1.2. The proposals include the additions of £124 million to the three-year programme which were agreed in February 2012. These additions were possible as a result of achieving the target in the County Council's medium term financial strategy of four years' cost reductions over two years.
- 1.3. Overall, the proposals in this report are in line with the medium term financial strategy which is focussed upon two particular aspects to support increased capital investment:
 - utilising one-off resources resulting from the early delivery of efficiencies
 - utilising additional efficiency savings which are recurring to repay prudential borrowing.
- 1.4. In addition to the programmes included in this report, the Leader is recommending that new investment of up to £25.6 million in economic development, asset management, energy and strategic projects initiatives. Further details are provided in this report in paragraph 3.3.
- 1.5. The report collates the service capital programmes prepared by Executive Members based on the existing cash limit guidelines for the locally resourced programme, together with schemes funded by Government grants and other external sources.

- 1.6. The report shows that the projected payments arising from the capital programme can be financed within resources available to the County Council, including the use of additional prudential borrowing.
- 1.7. 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 10 of the report on this Agenda on the Revenue Budget.
- 1.8. The detailed capital programmes prepared by Executive Members are included in Appendix 3.
- 1.9. The Government is expected to announce details of its schools capital grant allocations for individual local authorities for 2013/14 (and possibly 2014/15) by the end of January 2013. The Children's Services programme for 2013/14 to 2015/16 included in this report has been prepared using the Government allocations for 2012/13 as a planning assumption for the three years from 2013/14. The Executive Lead Member for Children's Services will consider a capital strategy paper at his Decision Day on 27 March 2013 which will take account of the Government's expected announcement of its allocations for 2013/14 (and 2014/15 if available). Recommendations will be made to Cabinet if any changes to the capital programme need to be considered.
- 1.10. The Economy, Transport and Environment capital programme has been prepared on the basis of the Government's Local Transport Plan allocations for 2013/14 which were confirmed in December 2012, together with provisional allocations for 2014/15. The capital programme for 2015/15 included in this report is based on an assumed level of Government support for 2015/16 commensurate with previous years.
- 1.11. Provision of £780,000 per annum has been added to the programme considered by the Executive Member for Environment and Transport on 22 January 2013 for the proposed Members Environment Fund.
- 1.12. The main points of this report are:
 - the capital programmes proposed by Executive Members are in line with the guidelines for the locally resourced capital programme
 - prudential borrowing will rise to £231 million by 2017/18. The repayment of the 'bridging loans' included in this total will depend in part on the continued recovery of the property market. The current assumptions are that the bridging loans will be fully repaid by 2017/18
 - the prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance
 - the total value of the proposed capital programme over the three-year period from 2013/14 to 2015/16 is £543 million

- the capital receipts assumed for this report are primarily for the sale of sites already earmarked to rationalisation schemes or to fund previously approved prudential borrowing.

2. Background

- 2.1. The cash limit guidelines for the new capital programme for 2013/14 to 2015/16 have been set at the same level as the current capital programme, including the additions agreed in February 2012.
- 2.2. Executive members have now prepared proposals for:
- a locally resourced capital programme for the three-year period from 2013/14 to 2015/16 within these guidelines and other resources available to services
 - a programme of schemes supported by Government capital grants.
- 2.3. In general, the programmes proposed by Executive Members are similar to those in the current capital programme, in terms of priorities and policies.

3. Expenditure and resources cashflow - summary

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

Table 1 – Capital expenditure and resources

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Expenditure	144,041	220,536	233,882	191,586
Resources	169,716	203,100	209,717	185,702
Surplus (-) / Shortfall (+)	-25,675	17,436	24,165	5,884
Planned use of capital reserve	-	-17,436	-24,165	-5,884
Resources transferred to the capital reserve	-25,675	-	-	-
Capital reserve balance at the end of the year	-81,837	-64,401	-40,236	-34,352

	2016/17 £000	2017/18 £000
Expenditure	85,574	51,334
Resources	81,991	54,592
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Surplus (-) / Shortfall (+)	3,583	-3,258
Planned use of capital reserve	-3,583	-
Resources transferred to the capital reserve	----- -	----- -3,258
	-----	-----
Capital reserve balance at the end of the year	-30,769	-34,027

- 3.2. Resources set aside by Cabinet to fund the significant additions to the capital programme in February 2012 will be held in the Capital Reserve until they are required to finance the resultant capital payments. As a result, the Capital Reserve is forecast to reach just under £82 million at 31 March 2013 but will reduce in subsequent years as the additional capital schemes are completed.
- 3.3. The Leader is recommending that new investment of up to £25.6 million funded from the Capital Reserve, the Invest to Save Reserve and the New Homes Bonus for 2013/14 is earmarked for the following key capital theme areas in 2013/14 and beyond:
- **Economic Development** – continuing to progress the current programme of delivering broadband across the County and providing matched funding for infrastructure investment to unlock development sites where it is sensible to do so
 - **Asset Management** – providing funding to maintain and improve Hampshire’s countryside and heritage assets
 - **Energy** – continuing to progress plans for a District Heating scheme within Winchester
 - **Strategic Project Initiatives** – providing funding to implement shared space villages and a separate fund to help maintain and improve community centres across the County.
- 3.4. These proposals have not been added at this stage to the capital programme attached to this report.
- 3.5. The forecast capital payments in each year can be financed in full from the available capital resources, demonstrating that the stable financing position for the capital programme has been maintained.

- 3.6. The forecasts are likely to change as schemes within the programme progress and the position will be reassessed at the next review of the capital programme.
- 3.7. Progress during 2013/14 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.
- 3.8. 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. Prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance.
- 4.2. The planned prudential borrowing will total £256 million, after deducting bridging loans repaid to 31 March 2012. Of this, £194 million is being repaid from savings in the revenue budget, including the schemes from earlier years for the Enhance nursing care homes project, waste management infrastructure and the structural maintenance of highways, together with the prudential borrowing necessary to support the additions to the capital programme from 2012/13 onwards agreed in February 2012.
- 4.3. Further details of the current level of prudential borrowing are included in Appendix 2.

5. Capital programmes proposed by Executive Members

- 5.1. The following sections of the report deal with the proposals from Executive Members for the capital programme, in line with the guideline cash limits and allocations of capital grant announced by the Government.

6. Guideline cash limits for the capital programme

- 6.1. '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 from the Government.
- 6.2. The guidelines for the locally resourced programme used to prepare this programme have been maintained at existing levels. They had been 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. That reduced level has been maintained, with no uplift for inflation, as uncertainty remains about future capital receipts. This leaves revenue contributions as the primary source of funding for the locally resourced programme.

- 6.3. In addition, services' programmes have been increased by the additions to the programme agreed by County Council in February 2012 which are to be financed from additional revenue contributions, the use of reserves and prudential borrowing.
- 6.4. The guidelines set for each service are shown in Table 2. Subsequent variations to or from revenue proposed by Executive members and other adjustments are shown in the table.

**Table 2 – Guidelines for locally resourced capital programmes
2013/14 to 2015/16**

	2013/14 £000	2014/15 £000	2015/16 £000
Adult Services	481	481	481
add Extra Care Housing	11,200	5,600	14,000
Adult Services total	11,681	6,081	14,481
Children's Services	90	90	90
add additions agreed February 2012	20,314	7,807	11,085
Children's Services total	20,404	7,897	11,175
Economy, Transport and Environment	12,869	12,173	11,477
add additions agreed February 2012	1,500	-	-
less transferred to revenue for winter maintenance	-427	-427	-427
Economy, Transport and Environment total	13,942	11,746	11,050
Policy and Resources	7,566	7,566	7,566
add additions agreed February 2012	21,230	9,250	-
Policy & Resources total	28,796	16,816	7,566
Total	74,823	42,540	44,272

Government supported programme

- 6.5. The coalition Government has issued all its support for local authorities capital expenditure so far in the form of capital grants and not as borrowing

allocations. It is expected to continue that arrangement for 2013/14 onwards.

- 6.6. As mentioned earlier, the Government has at the time of writing not announced its capital grant allocations for Children's Services for 2013/14 onwards. The Children's Services capital programme included in this report assumes that the Government's capital grant allocations for 2013/14 onwards will continue at the same level as 2012/13.
- 6.7. The Government has announced its capital grant allocation for Local Transport for 2013/14, with provisional figures for 2014/15. The proposed capital programme for Economy, Transport and the Environment assumes that the Government's allocations for 2015/16 will continue at a similar level.

7. The programmes submitted

- 7.1. The total starts value of the three-year programme submitted by Executive Members is £543 million, as shown in Table 3. It includes £240 million of schemes supported by Government grants.

Table 3 – Starts programmes submitted 2013/14 to 2015/16

	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	
2013/14	746	122,719	84,876	207,595	208,341
2014/15	746	97,582	79,223	176,805	177,551
2015/16	746	80,176	76,112	156,288	157,034
Total	2,238	300,477	240,211	540,688	542,926

- 7.2. The proposed programmes are in line with the cash limit guidelines for the capital programme. A reconciliation between the guidelines and the proposed programme is included in Appendix 1.
- 7.3. 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 Appendix 3.

8. Children's Services

- 8.1. The proposals from the Executive Lead Member for Children's Services included in this report are likely to be subject to further consideration once

the Government has announced its capital grant allocations for 2013/14 and possibly 2014/15.

- 8.2. The proposed programme provides additional school places to meet the demand arising from the significant rise in births over the last 10 years, housing developments and in-migration to the county. Part of the cost will be met by significant developers' contributions although the introduction of the Community Infrastructure Levy will increase the uncertainty over this funding source. The remaining costs can be met from the assumed level of Government grant allocations together with the additional sums added to the capital programme by Cabinet in February 2012.
- 8.3. To manage the demand for schemes and the resources available, the Executive Lead Member for Children's Services proposes to carry forward resources between the years of the capital programme. This includes carrying forward £38.922m from 2012/13 to 2013/14.
- 8.4. The need for additional school places remains and, with the amount of new housing planned currently and likely to continue after 2015, there will continue to be significant pressure on the programme for at least the next five years to provide primary school places.
- 8.5. The Executive Lead Member for Children's Services has recommended that two schemes be added to the capital programme for 2012/13:
- £1.652 million for Early Education for two year olds from lower income households, funded by an additional capital grant for this purpose announced by the Government in November 2012
 - £4.3 million for an all weather pitch with floodlighting and a grass rugby pitch at Swanmore College, to be funded in full by a capital receipt from the disposal of land at Swanmore.

9. Economy, Transport and Environment

- 9.1. As in previous years, the Executive Member for Environment and Transport has proposed adjusting the starts programmes for each year to make sure that the resultant expenditure flows fully use the resources available from Government grants. These adjustments are summarised in Table 4.

Table 4 – Proposed capital programme

	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Resources available	59,264	51,367	58,055	168,686
Phasing of starts programmes to match funding available	+1,722	-3,446	-4,830	-6,554
Proposed programme	60,986	47,921	53,225	162,132

Table 4 – Proposed capital programme

	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
less funded from external contributions	-11,330	-6,114	-15,225	-32,669
Proposed net programme	49,656	41,807	38,000	129,463

- 9.2. The programme will be managed to ensure that the expenditure flows each year do not exceed the resources available.
- 9.3. As an addition to the programme considered by the Executive Member for Environment and Transport on 22 January 2013, the programme attached to this report in Appendix 3 includes provision of £780,000 per annum for the Members Environment (Highway) Fund, which was outlined in a report considered by the County Council on 20 September 2012. This will provide resources to carry out high profile environmental works across the County. The funding for this addition will be met from the Corporate Policy Reserve.
- 9.4. The equivalent of £10,000 per Member (£780,000 in total) will be made available each year to support a four year rolling programme. The first year (2013/14) will be used for planning purposes and then works will be carried out on a regional basis over each of the next three years to ensure that works are planned, designed and delivered in the most efficient manner. More details of the scheme process and how the works will be prioritised and delivered will be reported to a future Decision Day of the Executive Member for Policy and Resources.

10. Other services

- 10.1. There are no new issues raised by the proposed capital programmes for Adult Services and Policy and Resources. Both programmes are based on the priorities for capital investment established in previous years.
- 10.2. The Policy and Resources programme for 2013/14 includes provision for a payment of £4.5 million to enable the County Council to work in partnership with Basingstoke and Deane Borough Council in the future promotion and development of land at Manydown in Basingstoke. The programme also includes £0.25 million as match funding for the restoration project planned for the Monitor M33 warship.
- 10.3. The provision in the Policy and Resources capital programme to enable Hampshire Transport Management (HTM) to purchase new vehicles has been increased from £1 million to £2 million in each year of the programme. The HTM business unit will fund the vehicles purchases from charges to customers using the vehicles.
- 10.4. Full details of the proposed programmes are included in Appendix 3.

11. Conclusions

- 11.1. 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 2013/14 and the progress on obtaining the capital receipts necessary to finance the capital programme.

12. Recommendations

- 12.1. The following decisions are sought, based on the recommendations of the Leader and Cabinet to the County Council, for the capital programme for 2013/14 to 2015/16 that:
- 1 Children's Services capital resources totalling £38.922 million be carried forward from the 2012/13 capital programme to 2013/14 (paragraph 8.3)
 - 2 It be a recommendation by Cabinet to Council that:
 - a) £1.652 million be added to the Children's Services capital programme for 2012/13 for Early Education for Two Year Olds from lower income households, funded from an additional Government grant of £1.652 million
 - b) £4.3 million be added to the Children's Services capital programme for 2012/13 for an all weather pitch with floodlighting and a grass rugby pitch at Swanmore College, funded in full from a capital receipt from the disposal of land at Swanmore
 - c) £780,000 per annum be added to the Economy, Transport and Environment programmes for 2013/14, 2014/15 and 2015/16 for the proposed Member Environment (Highway) Fund, met from the Corporate Policy Reserve
 - d) the capital programme for 2013/14 and the provisional programmes for 2014/15 and 2015/16 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
 - e) 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
 - f) 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

2013/14 to 2015/16 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 2013/14 to 2015/16 in respect of advance and advantageous land purchases.

12.2. Council is recommended to approve:

- a) £1.652 million be added to the Children's Services capital programme for 2012/13 for Early Education for Two Year Olds from lower income households, funded from an additional Government grant of £1.652 million
- b) £4.3 million be added to the Children's Services capital programme for 2012/13 for an all weather pitch with floodlighting and a grass rugby pitch at Swanmore College, funded in full from a capital receipt from the disposal of land at Swanmore
- c) £780,000 per annum be added to the Economy, Transport and Environment programmes for 2013/14, 2014/15 and 2015/16 for the proposed Member Environment (Highway) Fund, met from the Corporate Policy Reserve
- d) the capital programme for 2013/14 and the provisional programmes for 2014/15 and 2015/16 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
- e) 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
- f) that 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 2013/14 to 2015/16 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 2013/14 to 2015/16 in respect of advance and advantageous land purchases.

Capital Programmes 2013/14 to 2015/16 proposed by Executive Members

1 Summary of the proposed programmes

- 1.1 The proposed three-year programme of £543 million can be reconciled with the cash limit guidelines, as Table 5 shows.

Table 5 – Capital programme 2013/14 to 2015/16 – funding sources

	£000
Guideline for the three-year locally resourced programme	60,930
- additions agreed by County Council in February 2012	101,986
- subsequent virements to revenue	-1,281
- payment for Manydown	4,500
- additional Hampshire Transport Management vehicles	3,000
- Members Environment (Highway) Fund	2,340

Adjusted locally resourced guidelines	171,475
Use of capital receipts and developers' contributions, etc	
- Children's Services	91,768
- Economy, Transport and Environment	186
- Policy and Resources	250

Total funding from local resources	92,204
Government support	
Capital grant allocations	246,579
Resources carried forward from previous years	
Children's Services	38,922
Phasing of starts to match resources – ETE	-6,554

Total funding available from Government support	278,947

Total excluding land for programmed schemes	542,626
Land for programmed schemes	300

Total programme 2013/14 to 2015/16	542,926

- 1.2 The Environment capital programme also includes a number of local transport schemes supported wholly or in part by external contributions including developers, totalling £32.7 million between 2013/14 and 2015/16. The individual schemes are identified in the Environment capital programme in Appendix 3.

Capital Expenditure Flows and Financing Resources 2012/13 to 2015/16

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 2012/13 and the following three years will result from works in progress (schemes started in 2012/13 and earlier years) plus those arising from the proposed programme for 2013/14 to 2015/16, as Table 6 below shows. These figures include the proposed additions to the capital programme in order to demonstrate that the additions can be fully funded.

Table 6 – Capital expenditure flows

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Works in progress at 31 March 2012 and schemes starting in 2012/13	127,368	58,570	60,535	5,170
Programmes starting in 2013/14 2014/15 and 2015/16		- 150,763	162,420	174,314
Highways schemes funded by developers' contributions	7,956	8,584	9,346	11,356
Land and buildings acquisition	8,717	2,619	1,581	746
Total expenditure flows	144,041	220,536	233,882	191,586

- 1.3 In practice, expenditure flows in the years after 2013/14 may vary from those shown in Table 6 if further developer and other external contributions become available to fund additional capital schemes, or if the levels of Government support differ from those currently assumed.

2 Resources available for capital financing

- 2.1 The sources of finance to support the capital programme are:
- Government capital grants – the Government has issued all of its support for local authorities' capital expenditure from 2012/13 onwards in the form of capital grants and not as borrowing allocations
 - Government borrowing allocations for 2010/11 and from earlier years which had not been used before 2012/13
 - 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 prudential indicators

- 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 7 - Resources to fund capital expenditure

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Borrowing				
Government allocations	7,847	25,000	5,000	-
Prudential borrowing	14,887	29,063	28,003	34,755
less repayments from capital receipts etc	-34,907	-2,124	-5,688	-2,549
Capital grants	70,208	87,831	114,150	80,326
Contributions from other bodies including developers	10,741	17,971	34,482	47,192
Capital receipts	40,295	16,981	8,220	1,955
Contributions from reserves	16,488	3,887	1,630	630
Revenue contributions to capital less repayment from capital receipts of loans under the School Balances Loan Scheme	47,288	24,491	23,920	23,393
	-3,131	-	-	-
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New resources in the year	169,716	203,100	209,717	185,702
Use of the capital reserve: added to the reserve (-), or taken from the reserve (+)	-25,675	17,436	24,165	5,884
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Total resources available	144,041	220,536	233,882	191,586
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2.3 Most of the capital receipts forecast in Table 7 are required to repay prudential borrowing for school and other rationalisation schemes started in advance of the site disposals. The total of £40.295 million for capital receipts in 2012/13 includes the disposal of land at Merton Rise in Basingstoke for £27.5 million.

3 Capital reserve

- 3.1 Resources previously identified in 2012/13 to fund the additions to the capital programme agreed in February 2012 will be added to the Capital Reserve until they are required to fund capital payments in 2013/14 onwards, as shown in Table 8.

Table 8 – Capital reserve

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Opening balance	56,162	81,837	64,401	40,236	34,352
Used in year	-	-17,436	-24,165	-5,884	-3,583
Added in year	25,675	-	-	-	-
Closing balance	81,837	64,401	40,236	34,352	30,769

4 Revenue implications

- 4.1 The revenue implications of the new programme are shown in the following table. This table excludes the impact of the proposed additions to the capital programme.

Table 9 – Revenue effects

	Running costs	Capital charges	Total
	£000	£000	£000
2013/14 starts	627	7,404	8,031
2014/15 starts	285	5,354	5,639
2015/16 starts	839	4,125	4,964
Total	1,751	16,883	18,634

- 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 9 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 prudential borrowing over the proposed three-year programme will be £6.4 million.

5 Debt outstanding

- 5.1 Table 10 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 10 – Debt outstanding

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
Debt outstanding at the beginning of the year	581.4	544.6	573.2	575.7	582.6
New borrowings	22.7	54.1	33.0	34.8	19.6
Repayments from:					
- the revenue account	-24.6	-23.4	-24.8	-25.4	-26.1
- capital receipts and developers' contributions	-34.9	-2.1	-5.7	-2.5	-4.7
Debt outstanding at the end of the year	544.6	573.2	575.7	582.6	571.4

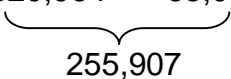
- 5.2 As the table shows, the amount of debt outstanding will increase over the period of the forthcoming programme as prudential borrowing is used to finance the proposed additions to the programme.

6 Prudential borrowing

- 6.1 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.
- 6.2 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.

6.3 The overall level of proposed prudential borrowing is summarised in the following table.

Table 11 – Prudential borrowing

	Borrowing £000	Repaid to date £000	Future repayments £000	Net total £000
2004/05 actuals	20,372	-	-	20,372
2005/06 actuals	14,754	-	-	14,754
2006/07 actuals	22,864	-5,716	-	17,148
2007/08 actuals	21,686	-14,939	-	6,747
2008/09 actuals	47,282	-2,450	-	44,832
2009/10 actuals	5,685	-6,543	-	-858
2010/11 actuals	22,294	-7,851	-	14,443
2011/12 actuals	15,628	-27,558	-	-11,930
2012/13 estimate	14,887	-	-34,907	-20,020
2013/14 estimate	29,063	-	-2,124	26,939
2014/15 estimate	28,003	-	-5,688	22,315
2015/16 estimate	34,755	-	-2,549	32,206
2016/17 estimate	19,628	-	-4,650	14,978
2017/18 estimate	24,063	-	-600	23,463
Total	320,964	-65,057	-50,518	205,389
	 255,907			

6.4 The schemes funded by these advances are summarised in Table 12.

Table 12 – Summary of outstanding and planned prudential borrowing advances

	£000
Financed from savings in the revenue budget	194,338
'Bridging' loans on specific projects to be repaid from capital receipts and developer contributions	45,538
Trading units' capital investment to be financed from future charges	16,031
Total	255,907

6.5 The 'bridging loans' in advance of capital receipts or developers' contributions are expected to be fully repaid by 2017/18. In addition to these lump sum repayments, £194 million 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.

- 6.6 The prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance. The prudential indicators used as part of the process of assessing compliance are included in Appendix 10 of the report on this Agenda on the Revenue Budget.

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