

Appendix 3

Capital spending and financing 2012/13

1 Introduction

1.1 This Appendix reports that:

- ◆ capital schemes costing £132.9m were started during 2012/13 from the approved capital programme for the year of £250.0m
- ◆ this left £117.1m for named projects not started by 31 March 2013 which will be carried forward to 2013/14, subject to Cabinet's approval
- ◆ capital payments of £181.2m were incurred in 2012/13 and this can be financed within available resources
- ◆ this includes capital payments of £35.6m on the street lighting private finance initiative scheme which will be financed by means of a finance lease funded from Government grant
- ◆ it is proposed that, under the Prudential Code for Capital Finance, new prudential borrowing of £13.1m is used in 2012/13 to fund previously approved schemes. Government grant support will not be available to finance this borrowing
- ◆ repayments of prudential borrowing from capital receipts and other sources total £35.5m in 2012/13
- ◆ the planned transfer to the capital reserve in 2012/13 of £27.9m of resources to fund the increase in the capital programme from 2013/14 onwards has been made
- ◆ a further £7.2m of resources has been transferred to the capital reserve in 2012/13 for use in funding schemes that have been carried forward to 2013/14
- ◆ capital receipts of £40.7m were achieved from the sale of assets in 2012/13.

2 Capital programme for 2012/13

2.1 Table 1 below shows that 53.2% of the capital programme for 2012/13 of £250.0m was started in the year.

Table 1 - Capital schemes committed in 2012/13	£000	%
Approved value of the capital programme for 2012/13	250,045	100.0%
Schemes committed in 2012/13	132,924	53.2%
	-----	-----
Balance of cash limit at 31 March 2013	117,121	46.8%
	-----	-----

Table 1 - Capital schemes committed in 2012/13	£000	%
Schemes for which approval to carry forward to 2013/14 is now requested	78,199	31.2%
Schemes previously approved for carry forward	38,922	15.6%
	-----	-----
Total cash limit to be carried forward to 2013/14	117,121	46.8%
	-----	-----

2.2 An analysis by service of the figures in Table 1 is provided in Annex 1.

3 Carry forward of schemes not committed by 31 March 2013

3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2013. The total value of such schemes is £117.1m. This includes £38.9m of Children's Services schemes for which approval to carry forward to 2013/14 has previously been given during 2012/13. These amounts are largely committed against named projects.

3.2 As Table 2 shows, the proportion of the 2012/13 programme that has been committed in the year, at 63.9%, is a little lower than the level achieved in 2011/12.

Table 2 – Percentage of capital programme committed

	2011/12 £m	2012/13 £m
Value of projects		
- committed	107.1	132.9
- carried forward	60.5	117.1
	-----	-----
Total programme	167.6	250.0
	-----	-----
Percentage committed	63.9%	53.2%

3.3 Individually, most of the schemes and provisions to be carried forward are relatively small amounts. The larger schemes include:

- ◆ extra care housing (£12.4m) – contracts for two major schemes are expected to be signed in June 2013

- ◆ Swanmore College all weather synthetic turf pitch (£4.3m), subject to planning approval and funded in full from a capital receipt from the disposal of land
- ◆ joint funded capital maintenance programme (£3.0m), fully committed against named projects since tendered and orders now placed
- ◆ temporary classroom replacement (£2.5m)
- ◆ structural maintenance of roads and bridges (£11.7m)
- ◆ coastal sites programme and flood defence (£1.0m)
- ◆ quality enhancements programme (£1.0m)
- ◆ casualty reduction programme (£1.6m)
- ◆ Totton Western Bypass junction improvements (£2.5m)
- ◆ capital repairs schemes funded from local resources and Government grant (£18.2m)
- ◆ strategic land promotion, development and disposal (£1.0m)
- ◆ rural broadband (£1.5m)
- ◆ IT modernisation and efficiency (£1.0m).

4 Capital expenditure and financing 2012/13

- 4.1 Total expenditure actually incurred in 2012/13, arising from the capital programme for 2012/13 and earlier years, was £167.5m. This is £13.7m or 7.6% lower than the revised estimate for 2012/13. The timing of capital expenditure flows between financial years is often difficult to predict. The delays in committing a significant proportion of the capital programme for 2012/13, as shown in Table 2, will have reduced the level of payments in the year.
- 4.2 An analysis of the expenditure of £167.5m by service and type is included in Annex 2.
- 4.3 The proposed method of financing this expenditure is summarised in Table 3 overleaf:

Table 3 – Capital financing 2012/13

	Adjusted revised estimate £000	Actuals £000	Variation £000	Actual funding %
Government supported borrowing	7,847	3,172	-4,675	1.9%
Finance lease for street lighting PFI	35,646	35,646	-	21.3%
Prudential borrowing				
- for capital schemes	14,887	13,077	-1,810	7.8%
- repayments of specific schemes	-35,559	-35,548	+11	-21.2%
Government capital grants	70,208	65,928	-4,280	39.4%
Contributions from developers and outside agencies	11,741	12,446	+705	7.4%
Capital receipts				
- received in 2012/13	40,295	40,674	+379	24.3%
- carried forward from 2011/12	1,116	1,116	-	0.7%
Revenue reserves, including trading units	13,929	13,929	-	8.3%
Revenue contributions				
- general corporate provision	33,252	33,252	-	19.8%
- funded by Dedicated Schools Grant for capital repairs in schools	16,766	16,766	-	10.0%
	-----	-----	-----	-----
Total capital resources	210,128	200,458	-9,670	119.7%
Less transfers to capital reserve				
- planned transfer to reserve of resources for future programmes	-28,917	-28,917	-	-17.3%
- additional transfer to reserve	-	-4,014	-4,014	-2.4%
	-----	-----	-----	-----
	181,211	167,527	-13,684	100.0%
	-----	-----	-----	-----

- 4.4 Where possible, available Government capital grant has been used to finance expenditure with the use of Government borrowing allocations deferred until future years.
- 4.5 Spending on locally resourced capital schemes in 2012/13 was lower than estimated, particularly on structural maintenance of roads and bridges, and the unused resources of £4.0m will be carried forward to 2013/14.

5 Borrowing

- 5.1 Since 1 April 2004, local authorities have been permitted to borrow for capital purposes without specific approval from the Government, provided their actions meet the requirements of the Prudential Code for Capital Finance introduced by the Local Government Act 2003. This is known as 'prudential borrowing'. It does not attract any support from the Government towards the repayment and interest costs, which fall wholly on the County Council's own resources.
- 5.2 Cabinet agreed criteria for the use of prudential borrowing in November 2003, with revisions in February 2006. Since then, its use has been agreed for a number of capital schemes, primarily on an invest-to-save basis. It is proposed that a total of £13.1m is borrowed in 2012/13 for these schemes, in accordance with the approved criteria.
- 5.3 Prudential borrowing of £35.5m has been repaid in 2012/13 primarily from the use of capital receipts from sales completed in the year.
- 5.4 The Prudential Code includes a number of indicators intended to illustrate whether local authorities are acting prudently. The County Council's latest position on these prudential indicators following the 2012/13 outturn is summarised in Appendix 2. It shows that the County Council continues to be in full compliance with the requirements of the Code.
- 5.5 In addition to the prudential borrowing, it is proposed that £3.2m of loans are raised in 2012/13 on the basis of previous Government borrowing allocations.
- 5.6 Capital grants from the Government of £65.9m have also been used to finance capital expenditure in 2012/13.

6 Capital receipts

- 6.1 Capital receipts from the sale of land and property in 2012/13 were £40.7m in total. This includes the disposal on Trafalgar House in Winchester which was completed in 2011/12 but the cash proceeds of £1.1m were not fully received until after 1 April 2012. As a result, £41.8m of the capital receipts in 2012/13 have been used to fund expenditure in the year.
- 6.2 Services' proposed shares of capital receipts in 2012/13 are summarised in Annex 3. The County Council's policy allows services to retain 25% of capital receipts from the sale of their assets, with up to 100% for approved rationalisation schemes. Receipts from development land and county farm sales are retained for corporate use unless, in the case of county farm sales, alternative proposals are specifically approved. In accordance with this policy, services are

entitled to £39.5m of the £40.7m received in 2012/13. Cabinet has previously approved the addition of majority of this amount to services' capital programmes, leaving a total of £0.8m for which approval is now required for allocation to services, as set out in Annex 3.

Annex 1

Analysis of capital programme 2012/13 and requests by services to carry forward capital schemes to 2013/14

	(1) Approved value of programme	(2) Schemes committed in 2012/13	(3) Schemes for which approval to carry forward is now requested	(4) Schemes already approved for carry forward	(5) Unallocated cash limit available for carry forward to 2012/13	(6) Total cash limit carried forward to 2012/13 (columns 3+4+5)
	£000	£000	£000	£000	£000	£000
Adult Services	15,822	1,500	14,322	-	-	14,322
Children's Services	105,130	47,705	18,503	38,922	-	57,425
Economy, Transport & Environment	68,438	49,538	18,900	-	-	18,900
Policy and Resources	60,655	34,181	26,474	-	-	26,474
Total	----- 250,045 -----	----- 132,924 -----	----- 78,199 -----	----- 38,922 -----	----- - -----	----- 117,121 -----
	100.0%	53.2%	31.2%	15.6%	-	46.8%

The amounts to be carried forward are largely committed against named projects

Annex 2

Summary of capital expenditure in 2012/13

Analysis by service

	£000	%
Adult Services	4,402	2.7
Children's Services	56,992	34.0
Economy, Transport & Environment	86,154	51.4
Policy and Resources	19,979	11.9
	-----	-----
	167,527	100.0
	-----	-----

Analysis by type of expenditure

	£000	%
Land	9,306	5.6
Construction work	127,724	76.2
Fees and salaries	21,292	12.7
Furniture, equipment and vehicles	9,205	5.5
	-----	-----
	167,527	100.0
	-----	-----

Annex 3

Analysis of capital receipts 2012/13

	(1) Net capital receipts	(2) Costs of sales	(3) Shares from in/out and other schemes previously added to programme	(4) now available to be added to programme	(5) 25% share of qualifying receipts now due to services
	£000	£000	£000	£000	£000
Adult Services	513	7	506	-	-
Children's Services	7,756	-	7,756	-	-
Economy, Transport & Environment	102	-	102	-	-
Policy and Resources	32,303	12	30,304	393	398
	-----	-----	-----	-----	-----
	40,674	19	38,668	393	398
	-----	-----	-----		
Total now to be added to services' programmes				791	-----