

## Capital spending and financing 2014/15

### 1 Introduction

1.1 This Appendix reports that:

- ◆ capital schemes costing £274.7m were started during 2014/15 from the approved capital programme for the year of £335.9m
- ◆ this left £61.2m for named projects not started by 31 March 2015 which will be carried forward to 2015/16, subject to Cabinet's approval
- ◆ capital payments of £244.6m were incurred in 2014/15 and this can be financed within available resources
- ◆ this includes capital payments of £27.1m 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 £14.1m is used in 2014/15 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 £5.1m in 2014/15
- ◆ £7.8m of resources will be transferred to the capital reserve in 2014/15 for use in funding schemes that have been carried forward to 2015/16
- ◆ capital receipts of £12.5m were achieved from the sale of assets in 2014/15.

### 2 Capital programme for 2014/15

2.1 Table 1 below shows that 81.8% of the capital programme for 2014/15 of £335.9m was started in the year.

<b>Table 1 - Capital schemes committed in 2014/15</b>	£000	%
Approved value of the capital programme for 2014/15	335,953	100.0%
Schemes committed in 2014/15	274,761	81.8%
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Balance of cash limit at 31 March 2015	61,192	18.2%
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<b>Table 1 - Capital schemes committed in 2014/15</b>	£000	%
Schemes for which approval to carry forward to 2015/16 is now requested	47,469	14.1%
Schemes previously approved for carry forward	13,723	4.1%
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Total cash limit to be carried forward to 2015/16	61,192	18.2%
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2.2 An analysis by service of the figures in Table 1 is included in Annex 1.

### **3 Carry forward of schemes not committed by 31 March 2015**

3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2015. The total value of such schemes is £61.2m. This includes £9.0m of Children's Services and £4.7m of Economy, Transport and Environment schemes for which approval to carry forward to 2015/16 has previously been given during 2014/15. These amounts are largely committed against named projects.

3.2 As Table 2 shows, the proportion of the 2014/15 programme committed in the year, at 81.8%, is significantly higher than the level achieved in 2013/14. Given the record size of the overall capital programme for 2014/15, this is a good achievement.

**Table 2 – Percentage of capital programme committed**

	2013/14 £m	2014/15 £m
Value of projects		
- committed	188.2	274.7
- carried forward	108.2	61.2
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Total programme	296.4	335.9
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Percentage committed	63.5%	81.8%

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

- ◆ Extra care housing younger adults project (£6.0m) – sites are being considered
- ◆ Secondary School Improvements (£1.0m) – future projects planned and contracts being let

- ◆ Early years for two year olds (£1.1m) - projects are being developed to create new and additional places for vulnerable two year olds
- ◆ Children's Services contingency provision carried forward to cover future pressures on the capital programme (£3.1m)
- ◆ Structural maintenance of roads and bridges – future projects planned which are awaiting other sources of funding (£2.2m)
- ◆ Capital repairs schemes funded from local resources and Government grant (£14.5m)
- ◆ Strategic land promotion, development and disposal (£3.0m)
- ◆ Investment in Community Buildings (£1.0m) – a new process has been put in place for the larger Community Grants. Expressions of interest are currently being sought and plans are progressing

#### **4 Capital expenditure and financing 2014/15**

- 4.1 Total expenditure actually incurred in 2014/15, arising from the capital programme for 2014/15 and earlier years, was £244.6m. This is £12.6m or 4.9% lower than the revised estimate for 2014/15. The timing of capital expenditure flows between financial years is often difficult to predict. The delays in committing a fair proportion of the capital programme for 2014/15, as shown in Table 2, will have reduced the level of payments in the year.
- 4.2 An analysis of the expenditure of £244.6m by service and type is included in Annex 2.
- 4.3 The proposed method of financing this expenditure is summarised in Table 3:

**Table 3 – Capital financing 2014/15**

	Adjusted revised estimate £000	Actuals £000	Variation £000
Government supported borrowing	0	0	0
Finance lease for street lighting PFI	32,061	27,141	-4,920
Prudential borrowing			
- for capital schemes	16,774	14,123	- 2,651
- repayments of specific schemes	-5,147	-5,147	-
Government capital grants	121,902	132,728	+10,826
Contributions from developers and outside agencies	25,000	28,005	+3,005

**Table 3 – Capital financing 2014/15**

	Adjusted revised estimate £000	Actuals £000	Variation £000
Capital receipts	11,363	12,534	+1,171
Revenue reserves	18,509	13,946	-4,563
Revenue contributions			
- general corporate provision	18,203	18,654	+451
- funded by Dedicated Schools Grant for capital repairs in schools	6,684	6,191	-493
- school repairs funded under service level agreement with schools	4,210	4,210	-
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Total capital resources	249,559	252,385	+2,826
Transfers from/to capital reserve			
- planned use of capital reserve to fund payments	7,593	-	-7,593
- transfer to capital reserve	-	-7,820	-7,820
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Total funding for payments in 2014/15	257,152	244,565	-12,587
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- 4.4 Spending on locally resourced capital schemes in 2014/15 was lower than estimated, particularly on structural maintenance of roads and bridges, and the unused resources of £7.8m will be carried forward to 2015/16.
- 4.5 The variance in respect of the Street Lighting PFI reflects the fact that 2014/15 is the final year of the 'initial investment period' for the PFI contract and the estimate of £32.061m represents the balance of capital expenditure still to be completed across the five year programme. The variance of £4.920m therefore should be measured against the total programme of £129m rather than just the figure for 2014/15. The balance of the programme of £4.9m will be completed in 2015/16.

## 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 £14.1m is borrowed in 2014/15 for these schemes, in accordance with the approved criteria.
- 5.3 Prudential borrowing of £5.1m has been repaid in 2014/15 from the use of capital receipts, developer and other contributions.
- 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 2014/15 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 Capital grants from the Government of £132.7m have also been used to finance capital expenditure in 2014/15.

## **6 Capital receipts**

- 6.1 Capital receipts from the sale of land and property in 2014/15 were £12.5m in total. This has been used to fund capital expenditure in the year.
- 6.2 Services' proposed shares of capital receipts in 2014/15 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.
- 6.3 In line with this policy, services are entitled to £11.1m of the £12.5m received in 2014/15. Cabinet has previously approved the addition of majority of this amount to services' capital programmes, leaving a total of £1.4m for which approval is now required for allocation to services, as set out in Annex 3.

**Analysis of capital programme 2014/15 and requests by services to carry forward capital schemes to 2015/16**

	(1) Approved value of programme	(2) Schemes committed in 2014/15	(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 2015/16	(6) Total cash limit carried forward to 2015/16 (columns 3+4+5)
	£000	£000	£000	£000	£000	£000
Adult Services	19,588	8,536	11,052	-	-	11,052
Children's Services	101,757	83,294	9,490	8,973	-	18,463
Economy, Transport & Environment	99,212	91,230	3,232	4,750	-	7,982
Policy and Resources	115,396	91,701	23,695	-	-	23,695
Total	335,953	274,761	47,469	13,723	-	61,192
	100.0%	81.8%	14.1%	4.1%	-	18.2%

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

## Summary of capital expenditure in 2014/15

### Analysis by service

	£000	%
Adult Services	7,870	3.2
Children's Services	100,660	41.1
Economy, Transport & Environment	109,973	45.0
Policy and Resources	26,060	10.7
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	244,565	100.0
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### Analysis by type of expenditure

	£000	%
Land	7,856	3.2
Construction work	193,677	79.2
Fees and salaries	26,706	10.9
Furniture, equipment and vehicles	16,326	6.7
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	244,565	100.0
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### Annex 3

#### Analysis of capital receipts 2014/15

	(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	1,200	-	1,200	-	-
Children's Services	5,590	7	5,590	-	-
Economy, Transport & Environment	295	2		-	83
Policy and Resources	5,449	11	3,338	657	252
	----- 12,534 -----	----- 20 -----	----- 10,128 -----	----- 657 -----	----- 335 -----
Total now to be added to services' programmes				992 -----	