

Capital spending and financing 2013/14

1 Introduction

1.1 This Appendix reports that:

- ◆ capital schemes costing £188.2m were started during 2013/14 from the approved capital programme for the year of £296.4m
- ◆ this left £108.2m for named projects not started by 31 March 2014 which will be carried forward to 2014/15, subject to Cabinet's approval
- ◆ capital payments of £212.2m were incurred in 2013/14 and this can be financed within available resources
- ◆ this includes capital payments of £32.0m 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 £19.0m is used in 2013/14 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 £1.7m in 2013/14
- ◆ £23.2m of resources will be transferred to the capital reserve in 2013/14 for use in funding schemes that have been carried forward to 2014/15
- ◆ capital receipts of £15.4m were achieved from the sale of assets in 2013/14.

2 Capital programme for 2013/14

2.1 Table 1 below shows that 63.5% of the capital programme for 2013/14 of £296.4m was started in the year.

Table 1 - Capital schemes committed in 2013/14	£000	%
Approved value of the capital programme for 2013/14	296,451	100.0%
Schemes committed in 2013/14	188,236	63.5%
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Balance of cash limit at 31 March 2014	108,215	36.5%
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Table 1 - Capital schemes committed in 2013/14	£000	%
Schemes for which approval to carry forward to 2014/15 is now requested	96,700	32.6%
Schemes previously approved for carry forward	11,515	3.9%
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Total cash limit to be carried forward to 2014/15	108,215	36.5%
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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 2014

3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2014. The total value of such schemes is £108.2m. This includes £11.5m of Children's Services schemes for which approval to carry forward to 2014/15 has previously been given during 2013/14. These amounts are largely committed against named projects.

3.2 As Table 2 shows, the proportion of the 2013/14 programme committed in the year, at 63.5%, is a little higher than the level achieved in 2012/13.

Table 2 – Percentage of capital programme committed

	2012/13 £m	2013/14 £m
Value of projects		
- committed	132.9	188.2
- carried forward	117.1	108.2
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Total programme	250.0	296.4
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Percentage committed	53.2%	63.5%

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

- ◆ extra care housing provision from the capital programmes for 2012/13 and 2013/14 (£20.5m) – two projects are well advanced. An accelerated plan is now in place following a countywide assessment of site suitability
- ◆ Children's Homes – six new family unit children's homes to offer a suitable location and home environment for looked after children (£4.1m) – awaiting agreement of strategy and site locations

- ◆ joint funded schools capital maintenance programme (£3.0m) – future projects planned and contracts being let
- ◆ Children’s Services contingency provision carried forward to cover future pressures on the capital programme (£9.1m)
- ◆ structural maintenance of roads and bridges – highways flood recovery programme (£4.2m). Government grant allocated in March 2014. Work to be completed in 2014/15
- ◆ capital repairs schemes funded from local resources and Government grant (£19.7m)
- ◆ rural broadband (£9.3m). Project in progress and this provision is likely to be required in 2014/15
- ◆ land at Manydown, Basingstoke – payments to become an equal tenant with Basingstoke and Deane Borough council (£4.5m)
- ◆ strategic land promotion, development and disposal (£3.0m)
- ◆ energy performance project phase 1 (£1.4m). Design and procurement plan and verification survey work have been completed. Work is programme to start in 2014/15
- ◆ Strategic land purchase and subsequent improvement of the asset (£2.0m). Plans being finalised.

4 Capital expenditure and financing 2013/14

- 4.1 Total expenditure actually incurred in 2013/14, arising from the capital programme for 2013/14 and earlier years, was £212.2m. This is £7.5m or 3.4% lower than the revised estimate for 2013/14. 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 2013/14, as shown in Table 2, will have reduced the level of payments in the year.
- 4.2 An analysis of the expenditure of £212.2m 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 2013/14

	Adjusted revised estimate £000	Actuals £000	Variation £000
Government supported borrowing	29,988	34,675	+4,687
Finance lease for street lighting PFI	35,670	32,037	-3,633
Prudential borrowing			
- for capital schemes	22,557	18,981	-3,576
- repayments of specific schemes	-1,837	-1,730	+107
Government capital grants	62,988	87,543	+24,555
Contributions from developers and outside agencies	17,994	18,579	+585
Capital receipts	14,108	15,365	+1,257
Revenue reserves	2,415	2,415	-
Revenue contributions			
- general corporate provision	13,794	14,069	+275
- funded by Dedicated Schools Grant for capital repairs in schools	9,446	9,171	-275
- school repairs funded under service level agreement with schools	4,302	4,302	-
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Total capital resources	211,425	235,407	+23,982
Transfers from/to capital reserve			
- planned use of capital reserve to fund payments	8,314	-	-8,314
- transfer to capital reserve	-	-23,196	-23,196
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Total funding for payments in 2013/14	219,739	212,211	-7,528
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- 4.4 Spending on locally resourced capital schemes in 2013/14 was lower than estimated, particularly on structural maintenance of roads and bridges, and the unused resources of £23.2m will be carried forward to 2014/15.

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 £19.0m is borrowed in 2013/14 for these schemes, in accordance with the approved criteria.
- 5.3 Prudential borrowing of £1.7m has been repaid in 2013/14 from the use of capital receipts and developers' 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 2013/14 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 £87.5m have also been used to finance capital expenditure in 2013/14.

6 Capital receipts

- 6.1 Capital receipts from the sale of land and property in 2013/14 were £15.4m in total. This has been used to fund capital expenditure in the year.
- 6.2 Services' proposed shares of capital receipts in 2013/14 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 £11.9m of the £15.4m received in 2013/14. Cabinet has previously approved the addition of majority of this amount to services' capital programmes, leaving a total of £1.7m for which approval is now required for allocation to services, as set out in Annex 3.

Analysis of capital programme 2013/14 and requests by services to carry forward capital schemes to 2014/15

	(1) Approved value of programme	(2) Schemes committed in 2013/14	(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 2013/14	(6) Total cash limit carried forward to 2013/14 (columns 3+4+5)
	£000	£000	£000	£000	£000	£000
Adult Services	25,317	3,249	22,068	-	-	22,068
Children's Services	106,191	72,982	21,694	11,515	-	33,209
Economy, Transport & Environment	78,399	68,433	9,966	-	-	9,966
Policy and Resources	86,544	43,572	42,972	-	-	42,972
Total	296,451	188,236	96,700	11,515	-	108,215
	100.0%	63.5%	32.6%	3.9%	-	36.5%

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

Summary of capital expenditure in 2013/14

Analysis by service

	£000	%
Adult Services	4,507	2.1
Children's Services	88,038	41.5
Economy, Transport & Environment	100,833	47.5
Policy and Resources	18,833	8.9
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	212,211	100.0
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Analysis by type of expenditure

	£000	%
Land	842	0.4
Construction work	173,337	81.7
Fees and salaries	24,757	11.7
Furniture, equipment and vehicles	13,275	6.2
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	212,211	100.0
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Annex 3

Analysis of capital receipts 2013/14

	(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	431	13	418	-	-
Children's Services	6,331	4	5,960	16	88
Economy, Transport & Environment	230	-	-	-	57
Policy and Resources	8,373	25	3,836	1,172	362
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	15,365	42	10,214	1,188	507
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Total now to be added to services' programmes				1,695	
