

SERVICE COMMITTEE REVIEW OF THE DRAFT 2015-16 CAPITAL PROGRAMME

To: **General Purposes Committee**

Meeting Date: **9 September 2014**

From: **Corporate Director: Customer Service and Transformation**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **This report provides the General Purposes Committee with an overview of the draft Business Plan Capital Programme for Corporate and LGSS Managed Services.**

Recommendation: **It is requested that the Committee:**

- i) note the overview and context provided for the 2015-16 Capital Programme for Corporate and LGSS Managed Services; and**
- ii) comment on the draft proposals for Corporate and LGSS Managed Services' 2015-16 Capital Programme and endorse their development.**

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1. CAPITAL STRATEGY

- 1.1 The Council achieves its vision through delivery of its Business Plan. To assist in delivering the Plan the Council needs to provide, maintain and update long term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year. Expenditure on these long term assets is categorised as capital expenditure, and is detailed within the Capital Programme for the Authority.
- 1.2 Each year the Council adopts a ten year rolling capital programme as part of the Business Plan. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and revenue streams for the Council.
- 1.3 This report forms part of the process set out in the Capital Strategy whereby the Council updates, alters and refines its capital planning over an extended planning period. New schemes are developed by Services and all existing schemes are reviewed and updated as required before being presented to Service Committees for further review and development.
- 1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) is undertaken / revised, which allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its priorities.
- 1.5 The prioritisation of schemes will be reviewed across the whole programme by General Purposes Committee (GPC) in October, before firm spending plans are considered by Service Committees in November. GPC will review the final overall programme in December, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.

2. REVENUE IMPLICATIONS

- 2.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport.
- 2.2 The Council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities 2011 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, Full Council has agreed that GPC will recommend an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (starting from 2015-16), so long as the aggregate limit remains unchanged.

- 2.3 For the 2015-16 Business Plan, Council has agreed that this should equate to the level of revenue debt charges as set out in the 2014-15 Business Plan for the next five years, and limited to £45m annually from 2019-20 onwards. As such, any new or additional borrowing required as a result of revision to the overall programme would need to be offset by reductions in borrowing elsewhere in order to remain within the advisory levels.

3. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

- 3.1 The revised draft Capital Programme is as follows:

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Later Yrs £'000
Children, Families and Adults	88,711	50,904	53,677	43,833	39,644	204,924
Economy, Transport and Environment	100,328	56,999	52,609	47,724	40,456	47,678
Public Health	-	-	-	-	-	-
Corporate and Managed Services	20,012	10,678	6,460	6,460	5,460	3,260
LGSS Operational	-	-	-	-	-	-
Total	209,051	118,581	112,746	98,017	85,560	255,862

- 3.2 This is anticipated to be funded by the following resources:

Funding Source	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Later Yrs £'000
Grants	58,246	48,753	50,954	50,904	50,431	101,220
Contributions	62,597	27,616	35,873	23,489	10,384	71,611
Capital Receipts	5,729	29,432	8,401	7,354	3,442	7,114
Borrowing	62,495	32,538	29,451	12,034	20,658	92,197
Borrowing (Repayable)	19,984	-19,758	-11,933	4,236	645	-16,280
Total	209,051	118,581	112,746	98,017	85,560	255,862

- 3.3 The following table shows how each Service's borrowing position has changed since the 2014-15 Capital Programme was set:

Service Block	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Children, Families and Adults	-703	12,392	12,287	-9,941	-543	2,203
Economy, Transport and Environment	-13,908	-25,605	-23,132	4,181	6,832	8,631
Public Health	-	-	-	-	-	-
Corporate and Managed Services	-4,321	1,506	-112	1,996	-690	-40
Corporate and Managed Services – relating to general capital receipts	-	-2,088	-833	-2,851	-2,639	-731
LGSS Operational	-	-	-	-	-	-
Total	-18,932	-13,795	-11,790	-6,615	2,960	10,063

3.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
New	-	320	20	20	20	20
Removed/Ended	-6,174	-1,751	-3,161	-582	-168	-549
Minor Changes/Rephasing*	-1,860	-2,396	-20,946	471	8,373	8,730
Increased Cost (includes rephasing)	776	-3,929	7,042	4,196	800	150
Reduced Cost (includes rephasing)	-1	2,700	-1,800	-6,326	-417	143
Remaining Gap related to Basic Need Funding Shortfall	-	-	11,490	-	-	-
Change to other funding (includes rephasing)**	-11,568	-8,739	-4,435	-4,394	-5,648	1,569
Other	-105	-	-	-	-	-
	-18,932	-13,795	-11,790	-6,615	2,960	10,063

*This does not off-set to zero across the years because the rephasing also relates to both pre-2014-15 and later years.

**This includes an increase in the level of general capital receipts expected to be available to fund the overall programme.

3.5 The revised levels of borrowing result in the following levels of financing costs:

Financing Costs	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
2015-16 draft BP	37,605	41,654	41,458	41,811	41,943
2014-15 agreed BP	39,227	43,577	44,382	44,870	-
CHANGE	-1,622	-1,923	-2,924	-3,059	

NB Both sets of figures include a £1m allowance for slippage, agreed as part of the 2014-15 Business Plan.

3.6 Some of the key issues to be taken into account:

- Children's, Families and Adults have been working to absorb as much of the £32m Department for Education Basic Need funding shortfall into their programme as possible, without adversely impacting upon the Council's financing costs. So far, the £32m gap has been reduced to £11.4m, currently included as additional borrowing in 2016-17. Due to the reductions and rephasing elsewhere in the programme, this has not had an adverse impact on the levels of financing costs.
- Removal, reduction or delay in return of some Invest to Save schemes has resulted in delayed, or additional revenue pressures

4. OVERVIEW OF CORPORATE & LGSS MANAGED SERVICE'S DRAFT CAPITAL PROGRAMME

- 4.1 The revised draft Capital Programme for the Council's Corporate Services and for the LGSS Managed Services is as follows (Further detail can be found in the draft Corporate and LGSS Managed Service's Business Planning capital tables (**Appendix**):

	Previous Years	2015-16	2016-17	2017-18	2018-19	2019-20	Later Years
Service Block	£000	£'000	£'000	£'000	£'000	£'000	£'000
Effective Property Asset Management	10,818	15,762	8,978	6,460	6,460	5,460	3,260
Other Managed Services	2,252	3,950	1,700	0	0	0	0
Corporate Services	0	300	0	0	0	0	0
TOTAL	13,070	20,012	10,678	6,460	6,460	5,460	3,260

- 4.2 This is anticipated to be funded by the following resources:

	Previous Years	2015-16	2016-17	2017-18	2018-19	2019-20	Later Years
Funding Source	£000	£'000	£'000	£'000	£'000	£'000	£'000
Grants	110	0	0	0	0	0	0
Contributions	165	255	0	0	0	0	0
Capital Receipts	4,798	826	24,939	464	2,150	0	0
Borrowing	7,841	18,527	-947	1,746	60	1,210	3,260
Borrowing (Repayable)	156	404	-13,310	4,250	4,250	4,250	0
<i>General Capital Receipts*</i>	<i>3,888</i>	<i>4,903</i>	<i>4,497</i>	<i>6,937</i>	<i>5,204</i>	<i>3,442</i>	<i>7,114</i>
<i>Reduction in Borrowing*</i>	<i>-3,888</i>	<i>-4,903</i>	<i>-4,497</i>	<i>-6,937</i>	<i>-5,204</i>	<i>-3,442</i>	<i>-7,114</i>

*The receipts generated from the General Capital Receipts programme, and the subsequent reduction to the overall borrowing requirement for the Council, is not available as direct funding for the Corporate and Managed Services schemes. It is shown separately for the purposes of this report so that the impact of this programme can be seen.

- 4.3 The following table shows how each section's borrowing position has changed since the 2014-15 Capital Programme was set:

	Previous Years	2015-16	2016-17	2017-18	2018-19	2019-20	Later Years
Service Block	£000	£'000	£'000	£'000	£'000	£'000	£'000
Effective Property Asset Management	-2,779	706	-1,112	2,496	-190	-40	700
Other Managed Services	-98	500	1,000	-500	-500	0	0
Corporate Services	0	300	0	0	0	0	0
TOTAL	-2,877	1,506	-112	1,996	-690	-40	700

There is a total increase in borrowing of £483k across the Corporate and LGSS Managed Services programme. This is the result of:

- Re-costing schemes +£1.133m;
- New schemes for 2015-16 +£0.500m;
- Removal of schemes no longer required -£1.150m

The increase from the re-costing of the schemes is a result of a £1.1m reduction in net capital receipt generation over cost from the MAC Market Towns Project (March) scheme (see section 4.4 below), rather than an increase in spend. This change is set out in the table below.

Proposal Activity	Previous	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Later
	Years £000						Years £'000
Rephasing	-1,860	755	505	0	0	0	600
Recosting of Schemes	-1,017	1,431	1,513	1,976	-2,710	-60	0
New Schemes	0	320	20	20	20	20	100
Removed Schemes	0	-1,000	-2,150	0	2,000	0	0
TOTAL	-2,877	1,506	-112	1,996	-690	-40	700

4.4 Overview of changes to existing schemes

The following changes have been made to existing material schemes (those over £0.5m) in the 2015-16 Business Plan:

- **Shire Hall (ref. C/C.1.001)** - The Shire Hall budget is used to carry out the essential maintenance and limited improvements that are required to enable the council to occupy the Shire Hall site for a further 10 years in accordance with the Cabinet decision of November 2009. The annual budget, and consequential borrowing requirement, has been reduced by £60k to recognise the reduced call on this budget following the Castle Court disposal.
- **MAC Market Towns Project (March) (re. C/C.1.013)** – The scheme, originally named ‘Making Assets Count Public Property Partnership & Market Towns Project’, has been reassessed. It has been agreed that the ‘Property Partnership’ aspect of the project will not be developed over the next few years so that MAC can focus on more immediate, practical projects. The deliverability of the various Market Town projects has been re-evaluated in light of this decision and it has been decided to focus on taking the March Market Town project forward. The scheme budget has been updated accordingly to reflect a total cost of £1.78m; capital receipt generation of £4.5m; and a net gain of £2.7m receipts over cost.

2014-15 Business Plan figures: cost = £7m; receipt generation = £10.8m; net receipts over cost = £3.8m.

- **Community Hubs - Sawston (ref. C/C.1.017)** – The scheme has been re-phased due to the extended lead time prior to the start of construction. This was not anticipated when the budget was profiled as part of the 2014/15 Business Planning. The updated budget profile reflects the milestone payments from the project plan. There is no overall change to the borrowing requirements but the re-phasing has resulted in lower borrowing in previous years and increased borrowing 2015-16.
- **Community Hubs – East Barnwell (ref. C/C.1.018)** – The scheme budget has been reduced to reflect the contributions agreed from the Children’s, Families and Adults programme, this has a net-nil impact on borrowing levels for the Council. This scheme has been re-phased due to the extended lead time prior to the start of construction. This was not anticipated when the budget was profiled as part of the 2014/15 Business Planning. The updated

budget profile reflects the milestone payments from the expected project plan. There is a small reduction in borrowing requirements (£30k) due to the increase in estimated capital receipt generation. The re-phasing results in lower borrowing in the early years of the programme.

- **Optimising the Benefits of IT for ‘Smarter Business’ Working (ref. C/C.2.001)** – Expenditure here has been re-phased to reflect the priorities set by the County Council for the provision of the IT infrastructure and devices to support mobile working. There are no changes to the overall borrowing requirements but the re-phasing results in lower borrowing in previous years and increased borrowing 2015-16.
- **Microsoft Enterprise Agreement for Cambridgeshire County Council (ref. C/C.2.010)** – This scheme has been updated to reflect more accurately the expected cost of the Enterprise Agreement package across the three years of implementation. It has been brought forward to allow earlier implementation. The increase in scheme costs (£0.4m) requires additional borrowing however, the Enterprise Agreement will enable the council to purchase the required software licences and essential upgrades to software at a more competitive price than would be the case if the Council did not enter into this agreement. The County Council is currently undergoing a compliance audit by Microsoft it is anticipated that there will be costs resulting from this audit. Entering into the Enterprise Agreement at this stage will negate these costs.

Please note that the following schemes included in the 2014/15 BP have been removed:

- **Agricultural Land Purchase and Investment (ref. C/C.1.006)** - This was a zero budget scheme. If opportunities arose to purchase and invest in land to bring value into the council they would be brought forward as appropriate to the GPC committee.
- **MAC Joint Operations Centre (south) (ref. C/C.1.014)** - Following a Project Team meeting on the 14th August 2014, and a reassessment of the opportunities and cost/benefits at the proposed Whittlesford site, it was agreed to close the JOC (South) project.

4.5 Overview of new schemes – including justification

The following new schemes have been added to the 2015/16 Business Plan:

- **Equality Act Works in Corporate Offices (ref. C/C.1.019)**

A small annual budget of £20k has been proposed to fund the costs of “reasonable adjustments” for disabled staff employed by Cambridgeshire County Council. This requires borrowing to fund the scheme.

Justification:

The Equality Act 2010 consolidated the extant equality regulations including the Disability Discrimination Act 1995. This consolidation leaves unchanged the duty of an employer to make ‘reasonable adjustments’ in the workplace to overcome any adverse impact disability might have on either attendance or performance at work.

'Reasonable adjustments' require that buildings used for employment comply with the Building Regulations Part M 2005. Also, 'reasonable adjustments' includes the amendment of any policies, procedures or practices which apply to employment.

What might be deemed a 'reasonable adjustment' follows from an assessment provided by an independent specialist adviser(s) and a conversation between the employee, line manager, Accessibility Officer and in many cases, IT. Given that reasonable adjustments help in addressing absentee/performance issues, it is desirable to have this in place as quickly as possible. Failure to make 'reasonable adjustments' has been deemed in employment tribunals as being constructive dismissal.

The reactive nature of the requests and assessments means that it is not possible to produce an annual programme. This bid is based on previous years' expenditures.

- **Essential County Council Business Systems Upgrade (ref. C/C.3.001)**

Proposal submitted for £300k in 2015/16 only, to be funded by borrowing.

Justification:

The council has Windows 2003 servers that come to an end of life in Sept 2014 and July 2015 respectively. The majority of all organisation wide customer/digital systems currently sit on these servers so it is essential that they are upgraded.

LGSS IT has advised that these requirements fall outside of their existing capital bid C/C.2.008. The systems affected include Camweb, eforms, Wisdom EDM (Records Management system), Sharepoint, phonebook and the online payments system.

All these systems are used across the organisation to deliver on our Digital First commitment enabling the council to operate more efficiently. These systems also provide the tools to support flexible working. It is therefore critical to be able to continue delivery of this work through the upgrading of these servers.

4.6 Key risks

Funding-related:

- Failure to achieve forecast levels of ring-fenced capital receipts due to changes in market conditions (impacting on price and saleability) could result in higher levels of borrowing . Associated with the following schemes:
 - Disposal / Relocation of Huntingdon Highways Depot (£3m)
 - MAC Market Towns Project (March) (£4.5m)
 - Community Hubs - East Barnwell (£0.5m)

Service-related:

- Reputational risk and risk of liability to the Council of failure to implement reasonable adjustments as required by the Equality Act 2010.

- Reputational and financial risks associated with significant systems failure through not upgrading Windows 2003 servers leaving the organisation unable to deliver any services online resulting in an inability to realise savings from automating transactions and an inability to provide the IT tools to support flexible working as properties are rationalised.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

5.2 Helping people live healthy and independent lives

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

5.3 Supporting and protecting vulnerable people

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

The Committee is asked to consider the resource implications outlined in the overview and context provided for the 2015-16 Capital Programme for Corporate and LGSS Managed Services and the resource implications of the draft proposals for the Corporate and LGSS Managed Services' 2015-16 Capital Programme.

6.2 Statutory, Risk and Legal Implications

As in 6.1 the Committee is asked to consider issues which could have statutory, risk and legal implications.

6.3 Equality and Diversity Implications

As in 6.1 the Committee is asked to consider issues which could have equality and diversity implications.

6.4 Engagement and Consultation Implications

The Council's approach to business planning for 2015-16 is subject to public consultation as outlined to the General Purposes Committee on 1 July 2014 Agenda Item No:5. The Council's draft budget will be subject to public consultation.

6.5 Localism and Local Member Involvement

The Services discussed in this report contribute to localism and local Member involvement.

6.6 Public Health Implications

The Services discussed in this report contribute to Public Health Outcomes.

Source Documents	Location
Council Business Plan 2014/15	http://www.cambridgshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015