Agenda Item No: 10

SERVICE COMMITTEE REVIEW OF THE DRAFT 2015-16 CAPITAL PROGRAMME

To:	**Economy and Environment Committee**
Meeting Date:	**16 September 2014**
From:	**Executive Director: Economy, Transport and Environment** **Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**This report provides the Committee with an overview of the draft Business Plan Capital Programme for Economy, Transport and Environment**
Recommendation:	**a) It is requested that the Committee notes the overview and context provided for the 2015-16 Capital Programme for Economy, transport and Environment** **b) It is requested that the Committee comment on the draft proposals for Economy, Transport and Environment's 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 the Chartered Institute of Public Finance and Accountancy (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.

3.5 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 ECONOMY TRANSPORT AND ENVIRONMENT'S DRAFT CAPITAL PROGRAMME

4.1 The revised draft Capital Programme for Economy, Transport and Environment (ETE) is as follows:

Capital Expenditure	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Later Yrs £'000
	100,328	56,999	52,609	47,724	40,456	47,678

4.2 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	44,184	36,834	33,334	33,334	33.334	25,000
Developer contributions	10,871	3,800	2,600	2,795	3,067	2,254
Other contributions	24,944	3,624	0	0	0	0
Borrowing	20,329	12,741	16,675	11,255	4,055	5,424

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

Borrowing Figures	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Later Yrs £'000
Previous borrowing as per 14/15 plan	31,134	38,873	15,494	7,423	-576	-7,182
Proposed borrowing	20,329	12,741	16,675	11,255	4,055	5,424
Change in borrowing	-10,805	-26,132	+1,181	+3,832	+4,631	+12,606

4.4 The full list of ETE capital schemes is shown in the draft capital programme at appendix one. Table 4 lists the schemes with a description and with funding shown against years. Table 5 shows the breakdown of the total funding of the schemes, for example whether schemes are funded by grants, developer contributions or prudential borrowing.

4.5 Papers on the individual schemes have been, or will be, considered separately by the appropriate Service Committee.

4.6 **Changes to Existing Capital Schemes**

4.6.1 Changes to existing schemes, such as rephasing, re-costing, and revised funding are highlighted below. The Integrated Transport Schemes apply to both Economy and Environment Committee and Highways and Community Infrastructure Committee, so those are listed first. Following that, items are grouped by Service Committee.

4.6.2 **Integrated Transport Schemes**

This is also known as 'IT Block'/ITB funding and is provided on a formula basis to Local Authorities based on needs. It is for small transport improvements such as road safety schemes, bus priority schemes, walking/cycling schemes and transport information schemes.

4.6.3 Government has confirmed that ITB funding allocations are being reduced. Cambridgeshire's funding will reduce from £5.707m in 2014 to £3.190m in 2015. The reduction is due to the funding being top sliced towards the Government's Growth Deal process: This is where Local Enterprise Partnerships (LEPs) were invited to bid for funding to support delivering priority projects in their Strategic Economic Plans, which are deliverable in 2015/16.

4.6.4 Whilst the LEP bid for funding on the Council's behalf, only £3m was secured for 2015/16 transport projects towards two specific projects. Along with this, the County Council was successful in securing £1m Local Sustainable Transport Fund (LSTF) revenue funding for 2015/16. However, a related LSTF capital bid that was made as part of the Growth Deal process linked with Peterborough did not succeed.

4.6.5 There are ongoing discussions on the Growth Deal settlement, with a particular focus on the apparent disconnect between the Department for Transport awarding funding to the revenue bids by Cambridgeshire and Peterborough for 2015/16 LSTF bids, but not allocating Growth Deal capital funding to support the LSTF programmes. Any progress from these discussions will be communicated to Members.

4.6.6 Government wishes to move forward quickly to a next round of Growth Deal bidding, with decisions anticipated by the end of the year. Once details are available, an update will be communicated to Members.

4.6.7 In terms of implications for Business Planning, the reduced ITB funding has resulted in an initial review of the ITB across Services to reduce and rationalise the headings in the ITB. The main aim is to balance out expenditure to fit priorities and pressures, to reduce in some areas where alternative sources of funding, such as City Deal or Growth Deal, may assist, and to consider what can be delivered as part of the Transport Delivery Plan.

4.6.8 Cross-service discussion has resulted in the proposal to rationalise the funding for areas such as Sustainable Travel Management, Heavy Commercial Vehicle Management, Traveline development and cycleway improvements. At the same time, a new category entitled 'Cambridgeshire Sustainable Transport Improvements' is proposed to cover a wide array of areas (including bus priority, cycleway improvements and demand management type schemes) from which priorities will need to be established. At this early stage, no specific allocations have been included.

4.6.9 Members' views are invited on the proposed budget under the headings below:

Budget	**Proposed allocation (£000s)**	**Notes**
Air Quality Monitoring	23	Same as 2014/15
Major Scheme Development	400	Reduced from £818k for 2014/15. With changes to funding arrangements more of this work is charged to specific scheme budgets.

Strategy Development and Integrated Transport Schemes	345	Reduced from £445k on the expectation that City Deal covers staff time for relevant posts carrying out City Deal work.
Delivering Strategy Aims/Transport Delivery Plan	700	Significant reduction from £2m previously proposed. Schemes will need to be worked up and prioritised as there is a long list of schemes in the TDP already. Note that S106 contributions also fund work in this area.
Cambridgeshire Sustainable Transport Improvements	646	New category created to include improvements flexibly, including bus priority measures, cycleway improvements, sustainable travel etc. Significant reduction on £1384k previously proposed across these areas. Consideration will be given to value for money, committed schemes and alternative funding sources.
Local Highway Improvements	482	Same as 2014/15. This is necessary and offers good value for money.
Road Safety Schemes	594	Same as 2014/15. This is necessary as it is the only source of funding. Any requirement above this level will need to be funded through schemes where appropriate or other sources of funding.
Total	**3,190**	

4.6.10 **Economy and Environment Committee**

4.6.11 **Cambridge Science Park Station**

This scheme is expected to be taken on by Network Rail, but until this happens, funding will remain in place.

4.6.12 **Ely Crossing**

The total scheme has increased from £31m to £35m because the previous figure had been based on estimates from 2010. The increase in costs will need to be funded by prudential borrowing.

4.6.13 **King's Dyke**

Prudential borrowing for this scheme has been reduced to £2m from a previous £5m. Growth funding of £5m has been awarded to this scheme and there was a previous assumption that Network Rail would contribute £3m; however, no confirmation has been forthcoming that funding will be made available.

4.6.14 **Highways and Community Infrastructure Committee**

4.6.15 **Archives**

The budget has been reduced from £12m to £4m because Cambridge University is no longer contributing £6m to the funding. The scheme is now all funded by prudential borrowing and a low cost solution is being developed.

4.6.16 **Highways Maintenance**

The August meeting of the Highways and Community Infrastructure Committee agreed to the re-profiling of the remaining prudential borrowing investment of Highways Capital Maintenance in order to deliver the best outcome in the delivery of the Council's Highways Asset Management Strategy. The remainder of the £90m funding will be phased over eight years, rather than two. This approach reduces the cost in the first two years, although the level of borrowing is the same overall.

4.6.17 **Street Lighting – Central Management System**

This £1.5m scheme has been deleted as the proposed investment would not make the expected savings.

4.6.18 **Waste**

A review of waste recycling facilities is underway to achieve significant reduction in revenue costs. In the meantime, proposals for a facility related to growth in the Cambridge area are included in the capital programme but it is proposed to remove other proposals during the review.

4.7 **Overview of New Capital Schemes**

4.7.1 **City Deal**

Individual schemes are still to be agreed. It will be fully funded by Central Government grant over the next five years.

5 NEXT STEPS

5.1 The table below sets out the activity over the coming months to build the Business Plan for 2015-16 and the next four years. We will update the Committee on progress throughout the coming months.

September	Committee considers draft capital proposals for Business Plan. Ongoing work to develop budget plan and deliver savings proposals.
October	Committee considers draft revenue proposals for Business Plan and CIAs for these proposals. Ongoing work to develop budget plan and deliver savings proposals.
November	Committee considers final draft revenue and capital proposals. Ongoing work to develop budget plan and deliver savings proposals.
December	Ongoing work to develop budget plan and deliver savings proposals.
January	General Purposes Committee review draft Business Plan for 2015/16.
February	Draft Business Plan for 2015/16 discussed by Full Council.
March	Publication of final Cambridgeshire County Council (CCC) Business Plan for 2015/16. Ongoing work to deliver savings proposals.

6 ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

The proposals discussed in this report play a significant role in enabling the Council to achieve this priority by investing in key infrastructure schemes that will promote growth in the number of jobs in our area and thus growth of the economy.

6.2 Helping people live independent and healthy lives

Transport schemes are critical in allowing people to get around effectively and efficiently and to access work and other facilities they need. Much of our investment is on schemes that will promote healthy forms of travel. In addition to this, access to jobs and work increases personal wellbeing.

6.3 Supporting and protecting vulnerable people

There are no significant implications under this heading.

7 SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

This report is about resource allocation. There may be revenue implications associated with operating new or enhanced capital assets but equally capital schemes can prevent the need for other revenue expenditure. The overall scale of the capital programme has been reduced to limit the impact on the Council's revenue budget and this in turn will have beneficial impacts on the services that are provided from that source.

7.2 Statutory, Risk and Legal Implications

Regulations for capital expenditure are set out under Statute. The possibility of capital investment, from these accumulated funds, may ameliorate risks from reducing revenue resources. At this stage, there are no proposals with significant risk arising from "pay-back" expectations.

7.3 Equality and Diversity Implications

There are no significant implications under this heading.

7.4 Engagement and Consultation Implications

The Business Plan is subject to public consultation. Consultation is continuous and ongoing between those parties involved to ensure the most effective use of capital funding.

7.5 Public Health Implications

Strategic investment in the schemes outlined has significant potential to

improve Public Health outcomes, particularly through investing in schemes that encourage cycling and walking and other healthy activities.

7.6 **Localism and Local Member Involvement**

Local Members will be engaged where schemes impact on their area and where opportunities for strategic investment arise.

Source Documents	**Location**
The 2014/15 Business Plan, including the Capital Strategy	http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2014_to_2015
Capital Planning and Forecast: financial models	c/o Group Accountants 1st Floor Octagon Shire Hall Cambridge