

SERVICE COMMITTEE REVIEW OF THE DRAFT 2015-16 CAPITAL PROGRAMME

To: **Adults Committee**

Meeting Date: **9 September 2014**

From: **Executive Director: Children, Families and Adults
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 the Adult Social Care and Older People & Mental Health Service Directorates.**

Recommendation: **a) It is requested that the Committee note the overview and context provided for the 2015-16 Capital Programme**

b) It is requested that the Committee comment on the draft proposals for Adult Social Care and Older People & Mental Health Service Directorates' 2015-16 capital programmes 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.

3.5 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. BACKGROUND TO ADULT SOCIAL CARE AND OLDER PEOPLE'S AND MENTAL HEALTH SERVICES DRAFT CAPITAL PROGRAMME

4.1 The capital programme for the Adult Social Care (ASC) and Older People and Mental Health (OPMH) Service Directorates of the Children's, Families and

Adults (CFA) Executive Directorate is relatively small compared to the levels of recurring revenue expenditure and capital spending in other areas of the Council. This reflects the fact that much of the front-line care funded by the local authority is delivered by independent organisations through their own assets. For this reason, few of the significant investments identified within the current capital programme and Capital Strategy relate to ASC and OPMH Services.

- 4.2 For ASC and OPMH Services, capital expenditure has been predominantly funded through ring-fenced grants from the Department of Health. Under the conditions of grant for this funding set out by the Minister of State for Care and Support, the local authority is required to confirm that it has expended these grant monies supplied on capital items. The latest Finance and Performance report, presented separately to this meeting, outlines that the expected capital funding available from this source as at 1 April 2015 will be **£2,585k**. The accumulation of these funds represents the contingent nature of previous spending plans and the limited internal scope for major one-off investment. At this point local authorities have not been notified to anticipate any similar or equivalent capital grant funding for financial years after 2015/16 and so the programme is currently developed on this assumption. If new or recurrent funding in later years were announced the capital programme would be reconsidered and re-presented for committee oversight and approval.
- 4.3 In line with the CIPFA Prudential Code for Capital Finance, it is not proposed to exceed the available grant funding for the needs of ASC and OPMH Services at this stage, as this would necessitate additional borrowing.
- 4.4 A further £1.2m is anticipated in capital funding through the Better Care Fund (BCF) during 2015-16. This represents the conversion of an existing Adult Social Care capital grant. The spending of this grant will require consultation with and agreement by the Health and Wellbeing Board, alongside deployment in support of the transformative purposes of the BCF. Discussions are currently underway with the Cambridgeshire and Peterborough Clinical Commissioning Group (CCG) to plan for this funding.
- 4.5 In addition the Better Care Fund also includes a further £1.924m in 2015/16 as Disabled Facilities Grant provided to fund housing adaptations for people with disabilities. The County Council does not have flexibility in the use of this funding, it must be paid over in full to lower-tier local authorities and the amounts for each district have already been announced. As funding will in effect go straight to District Councils it has not been included in the capital programme below.

5 OVERVIEW OF CAPITAL PROGRAMME

- 5.1 The total capital resource for allocation to adult social care priorities is £3785k, comprised of £2,585k in capital grant funding and an anticipated £1,200k as part of the Better Care Fund. The proposed allocation of this funding over the next five years is set out below. The Committee is invited to note the development of capital plans and initiatives connected to the ASC and OPMH Service directorates, and comment on the proposals ahead of further discussion by the Adults Committee in November 2014.
- 5.2 It is proposed to organise and phase capital spending in the ASC and OPMH Service directorates under the following categories and timescales:

Scheme	£000	All years	2015-16	2016-17	2017-18	2018-19	2019-20
Technology Initiatives		225	100	75	50	-	-
Enhanced Front Line		900	300	150	150	150	150
Strategic Investments		1,460	1,000	460	-	-	-
Better Care Fund		1,200	1,200				
Total		3,785					

The draft capital programme for adult services is attached as Appendix 1.

- 5.3 **Technology Initiatives** – This represents an investment in handheld devices to accompany the rollout of the Adults Integrated System (AIS). This should enable more case recording and information sharing to take place whilst assessment staff are face-to-face with service users. There is potential for this to progress more rapidly than the draft figures above currently anticipate, if it was appropriate in line with the rest of the programme.
- 5.4 **Enhanced Frontline** – This comprises planned spending on in-house, provider services and related delivery of social care, predominantly for clients with needs from learning disabilities, mental health or old age. This will include the refurbishment and maintenance of buildings and equipment to ensure they meet the needs of clients and respond to latest sector practice standards. For example there are ongoing refurbishments and upgrades to ensure facilities are ‘dementia’ friendly as well as the routine maintenance and replacement of equipment such as hoists and wheelchairs. The exact profile and distribution of spend within this area remains to be agreed and is subject to consultation with commissioners in order to accord with the principles of Transforming Lives
http://www.cambridgeshire.gov.uk/info/20077/adults_and_older_people_practitioners_and_providers_information/547/delivering_the_care_act/2
- 5.5 **Strategic Investments & Better Care Fund** - This category enables the Council to make one-off investments in the care sector to support the strategic direction for ASC and OPMH Services, stimulating market capacity and improving care affordability.
- Expenditure from this heading provides the option of capital allocations to the Integrated Community Equipment Service (ICES) and to support the development and use of Assistive Technology (ATT). A major part of the strategic approach for ASC and OPMH Services is based on prevention and personalised care that enables residents to exert choice and control and ultimately to live healthy, fulfilled, socially engaged and independent lives. This includes the use of devices and aides to keep people in their own homes, and the Council has initiatives underway to release revenue savings from this strategy.
 - A further one-off investment is also envisaged during the next five years to enhance the client care database used within ASC and OPMH Services.
 - Office accommodation adaptations may also be necessary as the Council locates itself alongside health professionals as part of co-location and integration arrangements. Such scheme might also link to the Corporate Services Capital Programme as appropriate.

The spending profile is front-loaded partly due to the introduction of the Better Care Fund (BCF) in 2015-16. As outlined in paragraph 4.4, the BCF absorbs some recurrent capital funding; further details on this remain to be confirmed and negotiated. The additional flexibility in this existing capital reserve at a time of change, and additional partner involvement, may also be helpful.

- 5.6 Throughout the period of the capital programme if specific initiatives require the re-deployment of capital resources between capital planning rounds these proposals will be brought where appropriate for consideration by councillors through the Integrated Resources and Performance Report process.

6 NEXT STEPS

- 6.1 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 CCC Business Plan for 2015/16. Ongoing work to deliver savings proposals.

7 ALIGNMENT WITH CORPORATE PRIORITIES

- 7.1 **Developing the local economy for the benefit of all**
Where investment is in local fixed assets, or through local businesses, this will lead to benefits for the local economy.
- 7.2 **Helping people live independent and healthy lives**
Expenditure on equipment and assistive technology, as well on accommodation and the centres supporting service users, help people live independent and healthy lives.

- 7.3 Supporting and protecting vulnerable people**
Expenditure on assistive technology as well as the infrastructure that supports Council staff enables our objective of supporting and protecting vulnerable people.
- 8 SIGNIFICANT IMPLICATIONS**
- 8.1 Resource Implications**
This report is about resource allocation. There may be revenue implications associated with operating new or enhanced capital assets. As it is not proposed to borrow to finance the ASC and OPMH Services capital programme there are no further revenue costs from debt interest.
- 8.2 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.
- 8.3 Equality and Diversity Implications**
Investments in client facing assets, such as day centres, accommodation or equipment supports the equalities agenda.
- 8.4 Engagement and Consultation Implications**
The Business Plan is subject to public consultation. Consultation is continuous and ongoing between commissioners and providers, and with partners, to ensure the most effective use of capital funding.
- 8.5 Public Health Implications**
Strategic investment in Adult Social Care assets has significant potential to improve Public Health outcomes.
- 8.6 Localism and Local Member Involvement**
Local Members will be engaged where opportunities for strategic investment in care infrastructure arise.

Source Documents	Location
Capital Strategy http://www.cambridgeshire.gov.uk/download/downloads/id/2606/7capital_strategypdf Capital Planning and Forecast: financial models Better Care Fund http://www.cambridgeshire.gov.uk/info/20071/support_for_adults_and_older_people/509/better_care_fund Transforming Lives Strategy http://www.cambridgeshire.gov.uk/info/20077/adults_and_older_people_practitioners_and_providers_information/547/delivering_the_care_act/2	c/o Group Accountants Room 301, Shire Hall