

DRAFT 2017-18 CAPITAL PROGRAMME AND CAPITAL PRIORITISATION

To: **General Purposes Committee**

Meeting Date: **25th October 2016**

From: **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 full draft Business Plan Capital Programme and results from the capital prioritisation process.**

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

- a) Note the overview and context provided for the 2017-18 Capital Programme;**
- b) Note and comment on the results of the capital prioritisation process, taking into consideration the most up to date estimations for financing costs and the overall revenue position; and**
- c) Comment on the draft proposals for the full 2017-18 Capital Programme and endorse their development.**

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1. CAPITAL STRATEGY

- 1.1 The Council strives to achieve 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 Council.
- 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 have been developed by Services and all existing schemes have been reviewed and updated as required before being presented to the Capital Programme Board and subsequently Service Committees in September for further review and development.
- 1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) has also been undertaken / revised in order to determine a prioritisation score, 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 outcomes.

2. DEVELOPMENT OF THE 2017-18 CAPITAL PROGRAMME

- 2.1 Prioritisation of schemes (where applicable) has been reviewed individually by Service Committees in September, alongside the addition, revision and update of schemes. Once the prioritisation of schemes across the whole programme has been reviewed by GPC as part of this report, firm spending plans will be considered by Service Committees in November. GPC will then review the final overall programme in November/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.
- 2.2 The introduction of the Transformation Fund for the 2017-18 planning process has not impacted on the funding sources available to the Capital Programme as any Invest to Save or Earn schemes will continue to be funded over time by the revenue payback they produce via savings or increased income. This is the most financially sensible option for the Council due to the ability to borrow money for capital schemes and defray the cost of that expenditure to the Council over the life of the asset. However, if a scheme is transformational, then it should also move through the governance process agreed for the Transformation Delivery Model, in line with all other transformational schemes, but without any funding request to the Transformation Fund.
- 2.3 There are several schemes in progress where work is underway to develop the scheme, however they are either not sufficiently far enough forward to be able to include any capital estimate within the Business Plan, or a draft set of figures have been included but they are, at this stage, highly indicative. The following are the three main schemes that this applies to:
 - The Adult's Committee considered the Older People's Accommodation Strategy earlier in 2016. As discussed at that time, the Council has identified that there is a shortfall in the availability of affordable care home beds within Cambridgeshire and this is likely to have a

growing impact on price levels and care provision over the medium and longer term. As part of a range of responses to the needs identified within the Strategy, the Council has been exploring where greater intervention by the local authority in the supply of care home beds may be economic in the years ahead.

After preliminary work and investigations, the Council has engaged independent consultants to prepare a Business Case outlining and appraising options and sensitivities for the Council in securing increased delivery of affordable care home beds. The options considered include utilisation of the Council's assets (principally land) and could lead onto significant requests for capital funding.

Both the Adults and Assets & Investment Committee are due to consider the full proposal for next steps, after the consultants review has reported in October 2016. At this point, it is too early to include a capital funding request for the immediate future, however this will be kept in review until the Business Plan is agreed in February, and as options are selected and the next stages are scheduled.

- Developing a single multi-skilled service offer that is based in communities continues to be a key plank of both the library and children centres transformation programmes. This is also believed to be an appropriate vehicle for supporting the Council's approach to community resilience. A significant amount of work has been undertaken to date in assessing potential demand for services and considering how these initial core services could be integrated. There has however been a slight delay in the programme in order to provide the opportunity for the new Director of Children's Social Care to undertake a service review of the strengths and development needs of that Department. Given the critical nature of this service, on the most vulnerable in our communities, it was important that the approach to community hubs aligned to the outcomes of that service review.

The Service Director has undertaken this review and is now setting out the future vision for that service that includes an assessment of the universal service offer that can be provided from within the community hubs. This proposal will be coming to Members in the Autumn and the implementation programme of this service transformation and the community hubs programme will brought together to create a single delivery plan.

- The Council is in the fortunate position of continuing to be a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This will, however, require the Council to move from being a seller of sites to being a developer of sites, through a Housing Company. In the future, the Council will operate to make best use of sites with development potential in a co-ordinated and planned manner to develop them for a range of development options. This will generate capital receipts to support site development and create significant revenue and capital income to support services and communities.

The Assets & Investment Committee have agreed to the creation of a Special Purpose Vehicle, which has now been established, and work is ongoing regarding the workstreams associated with this. Previously approved projects are being progressed by the Council, ahead of the Company becoming fully operational. A comprehensive 10-year pipeline of development projects has now been identified and a capital funding request has therefore been included in the Draft Business Plan, although the figures are still being refined with the initial projections expected to be confirmed during Autumn 2016.

3. REVENUE IMPLICATIONS

- 3.1 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 (e.g. transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).

- 3.2 The Council is required by the Chartered Institute of Public Finance and Accountancy's (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, GPC recommends 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.
- 3.3 For the 2017-18 Business Plan, GPC 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 (restated to take into account the change to the Minimum Revenue Policy agreed by GPC in January 2016), and limited to around £39m annually from 2019-20 onwards.

4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

- 4.1 Following on from September service committees, the revised draft Capital Programme is as follows (please see **Appendix C** for the full programme):

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
Children, Families and Adults	86,014	75,389	64,498	65,800	30,308	121,305
Economy, Transport and Environment	63,986	27,243	26,112	20,928	21,660	31,901
Public Health	-	-	-	-	-	-
Assets and Investment Committee	94,564	32,474	-3,340	3,158	5,983	-118,176
Corporate and Managed Services	1,541	4,491	460	460	460	-
LGSS Operational	-	-	-	-	-	-
Total	246,105	139,597	87,730	90,346	58,411	35,030

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

Funding Source	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
Grants	80,564	55,017	35,122	35,619	33,140	83,699
Contributions	46,551	25,611	30,625	24,645	5,700	46,750
Capital Receipts	2,020	11,125	2,769	6,615	6,330	11,465
Borrowing	16,564	12,854	28,354	18,570	16,287	59,601
Borrowing (Repayable)*	100,406	34,990	-9,140	4,897	-3,046	-166,485
Total	246,105	139,597	87,730	90,346	58,411	35,030

* Repayable borrowing nets off to zero over the life of each scheme and is used to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it.

4.3 The following table shows how each Service's borrowing position has changed since the 2016-17 Capital Programme was set:

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
Children, Families and Adults	6,383	5,400	1,549	9,596	21,180	-1,588	1,494
Economy, Transport and Environment	-6,557	-11,397	-362	80	-2,895	-6,588	-895
Public Health	-	-	-	-	-	-	-
Corporate and Managed Services / Assets and Investments Committee*	-11,190	64,057	-17,131	-45,472	-15,261	-5,347	-16,437
LGSS Operational	-1,104	-	-	-	-	-	-
Corporate and Managed Services – relating to general capital receipts	5,416	205	-8,591	-42	498	-208	-4,529
Total	-7,052	58,265	-24,535	-35,838	3,522	-13,731	-20,367

* Assets and Investments Committee schemes were previously contained within Corporate and Managed Services and therefore in order to calculate the change, these two areas have been amalgamated in the above table.

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
New	592	3,196	2,275	2,125	2,225	3,125	12,300
Removed/Ended	-9,308	1,044	85	-85	-85	0	0
Minor Changes/Rephasing*	-2,175	188	2,793	2,143	250	250	604
Increased Cost (includes rephasing)	-3,147	8,378	3,248	17,565	10,331	-6,239	1,314
Reduced Cost (includes rephasing)**	-2,208	90,471	-8,181	-47,267	-15,432	-4,811	-45,981
Change to other funding (includes rephasing)	9,194	-5,034	-5,082	-1,813	16,186	2,066	-3,050
Variation Budget	0	-39,978	-19,673	-8,506	-9,953	-8,122	14,446
Total	-7,052	58,265	-24,535	-35,838	3,522	-13,731	-20,367

*This does not off-set to zero across the years because the rephasing also relates to pre-2016-17.

**This includes rephasing of the Housing schemes

4.5 Since the September committees, there has been some movement regarding the levels of borrowing included within the above figures, mainly relating to:

- Increased cost for Grove Primary (£0.2m)
- Increased cost for Burwell Primary (£0.3m)
- Increased cost for Sawtry Infants (£0.9m)
- Increased cost for St Ives, Eastfield / Westfield / Wheatfields (£4.0m)
- Increased cost for Histon Additional Places (£10.0m)
- Increased cost for Cambridge City secondary places (£2.5m), matched by increased funding from insurance payment
- Reduced cost for Cambourne Village College (-£0.4m)
- Change in funding for Melbourn Primary for additional developer contributions (-£1.3m)
- Rephasing of 3 school schemes

- Update to the general capital receipts figure (-£7.3m)

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

Financing Costs	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
2016-17 agreed BP	38.0	40.5	42.1	42.1	-
2016-17 agreed BP RESTATED	29.3	32.4	34.6	35.3	-
2017-18 draft BP	30.4	36.8	38.9	40.0	41.5
CHANGE (+) increase / (-) decrease	1.1	4.4	4.3	4.7	41.5

4.7 Although the debt charges have increased, this is in part off-set by income generation (interest payments) from the housing schemes. The change in the net debt charges position, taking this income into account, is as follows:

Financing Costs	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
CHANGE (+) increase / (-) decrease	1.1	4.4	4.3	4.7	41.5
Housing income	-3.5	-8.7	-2.0	0.7	-0.2
CHANGE (+) increase / (-) decrease	-2.4	-4.3	2.3	5.3	41.3

4.8 Invest to Save / Earn schemes are excluded from the advisory financing costs limit – the following table therefore compares revised net financing costs excluding these schemes. In order to afford a degree of flexibility from year to year, the limit is reviewed over a three-year period – based on the revised programme, the advisory limit is not exceeded for either of these 3 year blocks.

Financing Costs	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m0	2020-21 £m
2017-18 draft BP (net figures excluding Invest to Save / Earn schemes)	34.1	32.8	26.9	24.5	24.4	25.9
Recommend limit	30.3	35.3	36.8	37.9	38.6	39.2
HEADROOM	3.8	-2.5	-9.9	-13.4	-14.2	-13.3
Recommend limit (3 years)	102.4			115.7		
HEADROOM (3 years)	-8.6			-40.9		

4.9 Although the limit hasn't been exceeded, the Business Plan is still under review and as such adjustments to schemes and phasing will continue over the next two to three months. However, as there is significant headroom available, it is not expected that any further revisions will cause a breach of the advisory limit.

5. CAPITAL PRIORITISATION

5.1 An Investment Appraisal of each capital scheme (excluding schemes with 100% ring-fenced funding) is undertaken / revised as part of the Investment Proposal, which allows the scheme to be scored against a weighted set of criteria such as strategic fit, business continuity, joint working, investment payback and resource use (see **Appendix A** for criteria). Schemes that are already committed (i.e. where the asset is already part constructed, or we have entered into a commitment to incur expenditure) are not subsequently scored; nor are schemes that are fully funded by non-borrowing resources.

- 5.2 This process 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 targeted priority outcomes. A summary of results for all scored schemes (excludes committed and fully funded schemes) is included in **Appendix B**.
- 5.3 It should be noted that it is difficult to score a lot of the school schemes for use of non-borrowing funding, as the allocation of Basic Need / Capital Maintenance grants and prudential borrowing is often arbitrary and could in theory be moved around.
- 5.4 The table below ranks the scored schemes in order of priority, and provides detail of cost and borrowing figures. For further detail on flexibility of timing of spend or alternative methods of delivery (which is particularly helpful with regard to assessing the school schemes) please see the full table in **Appendix C**.

Priority Score (/100)	Class	Service Area	Ref	Title	Total Scheme Cost £000	Total Prudential Borrowing £000	Net Revenue Impact* £000
65	Invest to Save	A&I	F/C.2.240	Housing Schemes	2,830	480	TBC
54	Statutory	CFA	A/C.01.046	Sawston Primary	2,830	480	-
54	Statutory	CFA	A/C.01.050	March new primary	8,770	1,092	-
54	Statutory	CFA	A/C.01.052	NIAB 2nd primary	10,950	2,635	-
54	Statutory	CFA	A/C.01.053	Robert Arkenstall Primary	500	-	-
54	Statutory	CFA	A/C.01.054	Wilburton Primary	500	-	-
54	Statutory	CFA	A/C.01.055	Benwick Primary	500	-	-
54	Statutory	CFA	A/C.05.001	School Condition, Maintenance & Suitability	25,750	1,043	-
53	Other	ETE	B/C.3.001	Highways Maintenance including Footways and Signals	90,000	87,011	-
52	Statutory	CFA	A/C.01.051	Wisbech new primary	8,770	2,344	-
52	Statutory	CFA	A/C.10.001	Temporary Accommodation	14,000	1,233	-
51	Statutory	CFA	A/C.01.042	Harston Primary	500	190	-
51	Statutory	CFA	A/C.01.043	Littleport 3rd primary	5,000	2,014	-
49	Statutory	CFA	A/C.01.038	Westwood Junior	2,190	240	-
49	Statutory	CFA	A/C.01.047	Fourfields Phase 2	2,300	-	-
49	Statutory	CFA	A/C.02.012	Cromwell Community College	3,700	-	-
49	Statutory	CFA	A/C.02.013	St. Neots secondary	10,940	700	-
48	Statutory	CFA	A/C.01.039	Wyton Primary	6,453	3,979	-

48	Invest to Save	A&I	F/C.2.114	MAC Joint Highways Depot	5,198	398	-183
46	Statutory	CFA	A/C.01.044	Loves Farm primary	10,020	7,020	-
46	Statutory	CFA	A/C.12.005	Integrated Community Equipment Service	13,000	13,000	-
45	Statutory	CFA	A/C.02.011	Additional secondary capacity to serve March & Wisbech	23,000	18,115	-
45	Statutory	CFA	A/C.08.003	SEN Pupil Adaptations	750	750	-
44	Statutory	CFA	A/C.01.033	St Ives, Eastfield / Westfield / Wheatfields	7,000	4,832	-
44	Statutory	CFA	A/C.01.040	Alconbury 1st primary	2,780	445	-
44	Statutory	CFA	A/C.01.057	Northstowe 3rd primary	11,900	6,950	-
44	Statutory	CFA	A/C.01.058	Chatteris new primary	8,725	-	-
44	Statutory	ETE	B/C.3.012	Waste - Cambridge Area Growth	8,183	5,580	-
43	Statutory	CFA	A/C.01.036	Pendragon, Papworth	3,500	2,050	-
43	Statutory	CFA	A/C.01.056	Alconbury 2nd primary	10,050	2,272	-
43	Statutory	CFA	A/C.02.009	Alconbury secondary	38,000	8,179	-
43	Statutory	A&I	F/C.2.111	Shire Hall	6,209	3,786	-
43	Statutory	A&I	F/C.2.112	Building Maintenance	6,000	6,000	-
42	Statutory	CFA	A/C.01.061	Gamlingay First	3,000	3,000	-
40	Statutory	CFA	A/C.01.041	Barrington	3,790	2,910	-
40	Statutory	CFA	A/C.01.060	Wyton	10,000	2,250	-
36	Statutory	CFA	A/C.02.014	Northstowe secondary	11,640	8,308	-
35	Statutory	CFA	A/C.01.049	Northstowe 2nd primary	11,250	8,500	-
34	Other	CFA	A/C.11.002	Cambridgeshire Alternative Education Service Minor Works	180	20	-
33	Other	CFA	A/C.09.001	Site Acquisition, Development, Analysis and Investigations	650	150	-
32	Statutory	CFA	A/C.01.037	Chatteris new Places	7,825	7,369	-
30	Other	CS	C/C.2.006	CPSN Replacement	5,500	5,500	-
28	Statutory	A&I	F/C.2.113	Equality Act Works in Corporate Offices	200	200	-
27	Other	ETE	B/C.3.108	New Community Hub/ Library Service Provision Darwin Green	340	41	-
26	Invest to Save	CS	C/C.2.007	Citizen First, Digital First	3,546	3,546	-2,455

25	Other	A&I	F/C.2.103	Local Plans - representations	4,284	3,656	-
24	Other	CFA	A/C.08.002	Trinity School, Wisbech base	4,000	4,000	-
19	Invest to Save	A&I	F/C.2.101	County Farms investment (Viability)	4,104	3,682	-3,116
16	Invest to Save	A&I	F/C.2.119	Energy Efficiency Fund	1,000	1,000	-550
12	Other	CFA	A/C.12.002	Provider Services and Accommodation Improvements	2,845	1,141	-

6. NEXT STEPS

6.1 The following amendments are expected to be made before the Service Capital Programmes are presented to Service committees again in November:

- Updates to the housing schemes as the model is continuously being revised and updated.
- Updates to the forecast capital receipts figures in light of significant changes as a result of the housing schemes, and other factors.

7. ALIGNMENT WITH CORPORATE PRIORITIES

7.1 Developing the local economy for the benefit of all

For detail on significant implications within this category, please see the September Service Committee reports.

7.2 Helping people live healthy and independent lives

For detail on significant implications within this category, please see the September Service Committee reports.

7.3 Supporting and protecting vulnerable people

For detail on significant implications within this category, please see the September Service Committee reports.

8. SIGNIFICANT IMPLICATIONS

8.1 Resource Implications

The report above is entirely concerned with resource issues and the significant implications are included throughout the report.

8.2 Statutory, Risk and Legal Implications

For detail on significant implications within this category, please see the September Service Committee reports.

8.3 Equality and Diversity Implications

There are no significant implications within this category.

8.4 Engagement and Consultation Implications

The significant engagement and consultation implications will be addressed as part of the overarching Business Planning Process.

8.5 Localism and Local Member Involvement

There are no significant implications within this category.

8.6 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	N/A Fiona McMillan
Are there any Equality and Diversity implications?	N/A Dan Thorp
Have any engagement and communication implications been cleared by Communications?	N/A Mark Miller
Are there any Localism and Local Member involvement issues?	N/A Mark Miller
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	Location
2016-17 Business Plan	http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2016_to_2017
September Service Committee reports; General Purposes Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/183/Committee/2/Default.aspx
Adults Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/138/Committee/3/Default.aspx
Children and Young People Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/160/Committee/4/Default.aspx
Economy and Environment Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/177/Committee/5/Default.aspx
Highways and Community Infrastructure Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/196/Committee/7/Default.aspx
Assets & Investment Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/466/Committee/31/Default.aspx