Agenda Item No: 10

SERVICE COMMITTEE REVIEW OF THE DRAFT 2016-17 CAPITAL PROGRAMME

To:	**Adults Committee**
Meeting Date:	**1st September 2015**
From:	**Executive Director: Children, Families and Adults Services** **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 2016-17 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 2016-17 Capital Programme and endorse their development**

	Officer contact:
Name:	Adrian Loades
Post:	Executive Director: Children’s, Families & Adults Services
Email:	Adrian.Loades@cambridgeshire.gov.uk
Tel:	01223 727993

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 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 outcomes. As the funding deployed for Adults Services is ring-fenced, and given the nature and value of the headings within the Adults Capital Plan, none of the Adults Capital proposals currently require an investment appraisal.

2. DEVELOPMENT OF THE 2016-17 CAPITAL PROGRAMME

2.1 For the 2016-17 Business Planning process, prioritisation of schemes, where applicable, will be reviewed individually by Service Committees alongside the addition, revision and update of schemes. Prioritisation of schemes across the whole programme will be reviewed by General Purposes Committee (GPC) in October, before firm spending plans are considered by Service Committees in December. 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.

2.2 This year, the Council has refocused its strategic planning on seven outcomes and five enablers in order to find new ways of meeting the needs of Cambridgeshire's communities. The Council's Operating Model considers what the organisation needs to look like by 2020-21 in order to deliver its outcomes in the context of a significant reduction in available resource. It is anticipated that work on the Operating Model will generate several Invest to Save / Earn capital schemes that will be included within the Capital Programme. However, as work on the Operating Model will not be presented to Service Committees until November, any capital schemes associated with this work are not included within this set of draft proposals. As these schemes will all be Invest to Save / Earn schemes, any associated borrowing is excluded from contributing towards the advisory borrowing limit.

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 Charted 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 2016-17 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. Although the Council did not exceed the advisory debt charges limit for the 2015-16 Business Plan, both the March and the May Integrated Resources and Performance Report have already highlighted some additional costs for existing schemes and also the requirement for four new CFA schemes. Therefore, availability of additional borrowing remains constrained.

4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

4.1 The revised draft Capital Programme is as follows:

Service Block	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Later Yrs £'000
Children, Families and Adults	87,929	81,131	60,144	56,258	60,119	139,083
Economy, Transport and Environment	91,539	71,114	44,956	43,688	23,302	39,727
Public Health	-	-	-	-	-	-
Corporate and Managed Services	30,031	28,652	30,002	28,204	15,920	27,700
LGSS Operational	1,104	-	-	-	-	-
Total	**210,603**	**180,897**	**135,102**	**128,150**	**99,341**	**206,510**

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

Funding Source	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Later Yrs £'000
Grants	70,852	83,884	55,967	51,867	31,423	103,122
Contributions	38,350	36,839	22,401	32,817	44,169	36,981
Capital Receipts	13,268	2,689	2,704	2,727	7,113	13,058
Borrowing	84,648	73,175	49,782	49,640	21,156	68,509
Borrowing (Repayable)*	3,485	-15,690	4,248	-8,901	-4,520	-15,160
Total	**210,603**	**180,897**	**135,102**	**128,150**	**99,341**	**206,510**

* 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 2015-16 Capital Programme was set:

Service Block	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Later Yrs £'000
Children, Families and Adults	1,115	29,828	-8,365	17,940	6,877	-27,187	-7,438
Economy, Transport and Environment	714	983	21,614	610	2,150	1,705	-12,249
Public Health	-	-	-	-	-	-	-
Corporate and Managed Services	-2,479	29,909	22,192	25,522	22,744	14,161	19,700
LGSS Operational	-	1,104	-	-	-	-	-
Corporate and Managed Services – relating to general capital receipts	-793	-5,088	3,642	1,065	1,865	-2,124	-3,280
Total	**-1,443**	**56,736**	**39,083**	**45,137**	**33,636**	**-13,445**	**-3,267**

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Later Yrs £'000
New	800	17,840	20,532	28,172	15,534	2,650	300
Removed/Ended	-547	2,043	-	-	-	-	-
Minor Changes/Rephasing*	-6,059	9,089	6,440	1,045	25	-2,119	2,974
Increased Cost (includes rephasing)	545	47,708	-2,528	12,226	9,090	11,625	18,386
Reduced Cost (includes rephasing)	5,289	-1,465	-2,239	757	715	-18,456	-17,328
Change to other funding (includes rephasing)**	-1,471	-18,479	16,878	2,937	8,272	-7,145	-7,599
Total	**-1,443**	**56,736**	**39,083**	**45,137**	**33,636**	**-13,445**	**-3,267**

**This does not off-set to zero across the years because the rephasing also relates to pre-2015-16.*
***This includes a decrease in the level of general capital receipts expected to be available to fund the overall programme as well as a £1.2m shortfall on previously anticipated Capital Maintenance Funding.*

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

Financing Costs	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
2015-16 agreed BP	40,139	41,001	41,064	40,254	41,017
2016-17 draft BP	40,409	45,788	49,352	52,067	53,025
CHANGE (+) increase / (-) decrease	**270**	**4,787**	**8,288**	**11,813**	**12,008**

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

4.6 The significant change in financing costs is largely as a result of changes to, or new, Invest to Save / Earn schemes. These schemes are still under development, including method of delivery, and as such it is possible that there will be substantial changes to these figures over the planning process.

4.7 Invest to Save / Earn schemes are excluded from the advisory financing costs limit – the following table therefore compares revised financing costs excluding these schemes. Based on the revised programme, the advisory limit is exceeded in 2019-20 by £0.4m. In order to afford a degree of flexibility from year to year, the limit is reviewed over a three-year period, however as there is very little headroom in years 2018-21, the advisory limit is still exceeded by £0.3m over this three-year period.

Financing Costs	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m0	2020-21 £m
2016-17 draft BP (excluding Invest to Save / Earn schemes)	34.1	40.9	44.3	45.8	46.4	46.0
Recommend limit	40.2	44.6	45.4	45.9	46.0	46.0
HEADROOM	**6.1**	**3.7**	**1.1**	**0.1**	**-0.4**	**0.0**
Recommend limit (3 years)	136.2			56.3		
HEADROOM (3 years)	**10.9**			**-0.3**		

4.8 Although the limit has 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. Therefore, it is anticipated that this small excess over the limit will be dealt with over the course of the continued development of the Programme. However, the Financing Costs will need to be closely monitored over this period to ensure that any further revisions do not cause a more significant breach of the advisory limit.

4.9 The significant change in financing costs (see section 4.5) is largely as a result of changes to, or new, Invest to Save / Earn schemes. These schemes are still under development, including method of delivery, and as such it is possible that there will be substantial changes to these figures over the planning process.

5. OVERVIEW OF ADULT SOCIAL CARE AND OLDER PEOPLE & MENTAL HEALTH SERVICES DRAFT CAPITAL PROGRAMME

5.1 The capital programme for the Adult Social Care (ASC) and Older People and

Mental Health (OP&MH) Service Directorates of the Children's, Families and Adults (CFA) Executive Directorate is relatively small compared to recurring revenue expenditure and to capital spending in other areas of the Council. This reflects that much of the front-line care funded by the local authority is delivered by independent organisations through their own assets.

5.2 For ASC and OP&MH Services, capital expenditure has been predominantly funded through ring-fenced grants from the Department of Health. It is not proposed to exceed the available grant funding for the needs of ASC and OP&MH Services at this stage. This means there is no requirement to prioritise between schemes.

5.3 It is assumed £9,603k in capital grant funding will be available for allocation to adult social care priorities up to 2021 and the proposed distribution 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 OP&MH Service directorates.

5.4 It is proposed to organise and phase capital spending in the ASC and OP&MH Service directorates under the following categories and timescales:

Schemes	Total Cost £000	Prev Years £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	Later Years £000
Strategic investments	1,391	931	460					
Provider Services & Accommodation Improvements	2,888	2,138	150	150	150	150	150	
Better Care Fund	7,764	1,294	1,294	1,294	1,294	1,294	1,294	
Disabilities Facilities Grant	3,846	1,923	1,923					

5.5 **Provider Services & Accommodation Improvements** – 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. The exact profile and distribution of spend within this area remains to be agreed, initially the urgent spend from a 5 year plan has been agreed to address building condition and improvements. The detail of the service requirements and priorities will be agreed and aligned with overall strategic plan and the principles of *Transforming Lives.*

5.6 **Strategic Investment** - This capital investment spend enables the Council to make one-off investments in the care sector to support the strategic direction for ASC and OP&MH Services, stimulating market capacity and improving care affordability. Expenditure from this heading provides the option of additional capital allocations to the Integrated Community Equipment Service (ICES) and to support the development and use of Assistive Technology (ATT).

5.7 **Better Care Fund** – An annually recurring allocation of £1.3m is anticipated in capital funding through the Better Care Fund (BCF) for the period 2016-2021. The spending of this grant will continue to be subject to BCF governance through the Health and Wellbeing Board and the Cambridgeshire Executive Partnership Board. Currently the BCF funds capital expenditure on community equipment. It is assumed that this social care capital funding will continue throughout the Business Plan period. If this is not forthcoming, the capital plan priorities will need to be reviewed and the requirement for prudential borrowing re-considered.

5.8 **Disabled Facilities Grant** – It is anticipated the funding for the Disabled Facilities Grant will continue to be received in 2016-17 and distributed by the County Council. Historically this funding has been distributed through District Councils, and now channels through the County Council as a result of the BCF. A one-year assumption has therefore been made in line with the expectation that the BCF will continue in a similar form in this respect for at least one further year.

5.9 **CFA Management Information System** – this is a cross-CFA initiative, and in line with previous treatment is being considered by the Children's & Young People's Committee; the following details are presented for information. In line with previous indications, the capital plan includes £5m phased over three years for purchase of a new management information system – a tender process is progressing.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 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.

6.2 Helping people live healthy and independent lives

Expenditure on equipment and assistive technology, as well on accommodation and the centres supporting service users, help people live independent and healthy lives.

6.3 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.

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. As it is not proposed to borrow to finance the ASC and OP&MH Services capital programme there are no further revenue costs from debt interest.

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

Investments in client facing assets, such as day centres, accommodation or equipment support the equalities agenda.

7.4 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.

7.5 Localism and Local Member Involvement

Local Members will be engaged where opportunities for strategic investment in care infrastructure arise.

7.6 Public Health Implications

Strategic investment in Adult Social Care assets has significant potential to improve Public Health outcomes.

Source Documents	Location
Capital Strategy Capital Planning and Forecast: financial models	c/o Group Accountants Octagon 1st Floor, Shire Hall