

**SERVICE COMMITTEE REVIEW OF THE DRAFT 2017-18 CAPITAL PROGRAMME**

*To:* **General Purposes Committee**

*Meeting Date:* **20 September 2016**

*From:* **Director of Customer Service and Transformation  
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 Corporate and Managed Services.**

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

- a) note the overview and context provided for the 2017-18 Capital Programme for Corporate and Managed Services; and**
- b) comment on the draft proposals for Corporate and Managed Services' 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 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 the Capital Programme Board and subsequently 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.

## **2. DEVELOPMENT OF THE 2017-18 CAPITAL PROGRAMME**

- 2.1 Prioritisation of schemes (where applicable) is included within this report to 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 November. GPC will 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 Committees 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 by September 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, General Purposes Committee (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 MRP 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 The revised draft Capital Programme is as follows:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
Children, Families and Adults	75,473	70,103	65,149	66,188	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	-	-	-	-	-	-
<b>Total</b>	<b>235,564</b>	<b>134,311</b>	<b>88,381</b>	<b>90,734</b>	<b>58,411</b>	<b>35,030</b>

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	43,905	24,811	30,225	24,645	5,700	46,750
Capital Receipts	2,225	2,534	2,727	7,113	6,122	6,936
Borrowing	9,164	17,149	29,257	18,460	16,495	64,130
Borrowing (Repayable)*	99,706	34,800	-8,950	4,897	-3,046	-166,485
<b>Total</b>	<b>235,564</b>	<b>134,311</b>	<b>88,381</b>	<b>90,734</b>	<b>58,411</b>	<b>35,030</b>

\* 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	3,643	-2,495	-2,937	10,647	21,568	-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	-	-	-	-	-	-	-
<b>Total</b>	<b>-15,208</b>	<b>50,165</b>	<b>-20,430</b>	<b>-34,745</b>	<b>3,412</b>	<b>-13,523</b>	<b>-15,838</b>

\* 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	-	-
Minor Changes/Rephasing*	-1,365	-512	2,736	2,143	250	250	604
Increased Cost (includes rephasing)	-3,747	-210	-1,239	16,895	10,344	-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)	828	-3,846	3,567	-50	16,063	2,274	1,479
Variation Budget	-	-39,978	-19,673	-8,506	-9,953	-8,122	14,446
<b>Total</b>	<b>-15,208</b>	<b>50,165</b>	<b>-20,430</b>	<b>-34,745</b>	<b>3,412</b>	<b>-13,523</b>	<b>-15,838</b>

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

Financing Costs	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
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	28.4	32.3	33.1	33.1	33.1
<b>CHANGE (+) increase / (-) decrease</b>	<b>-0.9</b>	<b>-0.2</b>	<b>-1.5</b>	<b>-2.2</b>	<b>33.1</b>

4.6 Invest to Save / Earn schemes are excluded from the advisory financing costs limit – the following table therefore compares revised 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 (excluding Invest to Save / Earn schemes)	34.1	32.8	28.3	29.3	30.3	31.6
Recommend limit	30.3	35.3	36.8	37.9	38.6	39.2
<b>HEADROOM</b>	<b>3.8</b>	<b>-2.5</b>	<b>-8.5</b>	<b>-8.6</b>	<b>-8.3</b>	<b>-7.6</b>
Recommend limit (3 years)	102.4			115.7		
<b>HEADROOM (3 years)</b>	<b>-7.2</b>			<b>-24.5</b>		

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

5.1 The revised draft Capital Programme for the Council's Corporate and Managed Services is as follows:

Capital Expenditure	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
Corporate and Managed Services	1,541	4,491	460	460	460	-
LGSS Operational	-	-	-	-	-	-

5.2 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
Capital Receipts	2,225	2,534	2,727	6,513	1,922	6,936
Borrowing	-684	1,957	-2,267	-6,053	-1,462	-6,936
<b>Total</b>	<b>1,541</b>	<b>4,491</b>	<b>460</b>	<b>460</b>	<b>460</b>	<b>-</b>

5.3 The full list of Corporate and Managed Services capital schemes are 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 capital receipts or prudential borrowing.

5.4 The following changes have been made to existing schemes in the 2017-18 Business Plan:

- Assets and Investment schemes  
The majority of the property related schemes previously within this area, now come under the responsibility of the Assets and Investment Committee and have been removed from the tables.
- C/C.1.001 Essential CCC Business Systems Upgrade  
This scheme has now been rephased and will now be completed in 2018-19.

5.5 The following new scheme has been added to the 2017-18 Business Plan:

- C/C.2.007 Citizen First, Digital First  
The investment in this scheme is expected to bring in savings over the next 5 years in the region of £3.7m to £6.6m. The Outline Business Case was agreed by the General Purposes Committee on 26th July 2016.

## 6. ALIGNMENT WITH CORPORATE PRIORITIES

### 6.1 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.

## **6.2 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.

## **6.3 Supporting and protecting vulnerable people**

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

# **7. SIGNIFICANT IMPLICATIONS**

## **7.1 Resource Implications**

The Committee is asked to consider the resource implications outlined in the overview and context provided for the 2016-17 Capital Programme for Corporate and LGSS Managed Services and the resource implications of the draft proposals for the Corporate and LGSS Managed Services' 2016-17 Capital Programme.

## **7.2 Statutory, Risk and Legal Implications**

As in 7.1 the Committee is asked to consider issues which could have statutory, risk and legal implications.

## **7.3 Equality and Diversity Implications**

As in 7.1 the Committee is asked to consider issues which could have equality and diversity implications.

## **7.4 Engagement and Consultation Implications**

On 12 March GPC agreed the formation of a Member 'Consultation Working Group'. This Group has worked with officers to develop and implement the consultation activity that will support this year's business planning process. Specific proposals will continue to be subject to focused engagement and consultation, which GPC will consider alongside any specific decisions required to implement that proposal.

## **7.5 Localism and Local Member Involvement**

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

## **7.6 Public Health Implications**

The Services discussed in this report contribute to Public Health Outcomes



<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Sarah Heywood Yes
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	No response received
<b>Are there any Equality and Diversity implications?</b>	No response received
<b>Have any engagement and communication implications been cleared by Communications?</b>	No response received
<b>Are there any Localism and Local Member involvement issues?</b>	No response received
<b>Have any Public Health implications been cleared by Public Health</b>	No response received

<b>Source Documents</b>	<b>Location</b>
The 2016/17 Business Plan, including the Capital Strategy	<a href="http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2016_to_2017">http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2016_to_2017</a>
Capital Planning and Forecast: financial models	c/o Group Accountants 1st Floor Octagon Shire Hall Cambridge