

DRAFT 2018-19 CAPITAL PROGRAMME AND CAPITAL PRIORITISATION

To: General Purposes Committee

Meeting Date: 24th October 2017

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 2018-19 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.
- c) Comment on the draft proposals for the full 2018-19 Capital Programme and endorse their development.

<i>Officer contact:</i>		<i>Member contacts:</i>	
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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. This score 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 2018-19 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, a second draft of proposals will be considered by Service Committees in November. Firm capital and revenue spending plans will then be considered by Service Committees in December, before GPC review the final overall programme in December. In particular, GPC will review 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 programme, 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 two main schemes that this applies to:

- The Adults Committee first considered the Older People's Accommodation Strategy in 2016. Following consideration of outline modelling and a business case to increase the availability of affordable care home beds in the County through more direct intervention in the market by the Council, the Adults Committee received an update in September on market engagement and next steps towards a more detailed business case and procurement. Amongst a number of options, there is potential for implications for the Council's capital plans through provision of land, other assets or involvement with construction. The Council is engaged with health partners on these challenges, and plans are also in development for an investment in housing for vulnerable people using improved better care fund monies.
- The Council is in the fortunate position of being a major landowner in Cambridgeshire and this provides an asset capable of generating both revenue and capital returns. This has, however, required the Council to move from being a seller of sites to a developer of sites, through a Housing Company. A Special Purpose Vehicle has been established, the Cambridgeshire Housing Investment Company (CHIC), through which the Council will operate to make best use of sites with development potential in a co-ordinated and planned manner, in order to progress those sites for a range of development options. This will generate capital receipts to support site development and create significant revenue income for the Council which will help support services and communities.

A comprehensive 10-year pipeline of development projects has been identified and the initial model is undergoing extensive review and refinement by both CHIC and the Council, taking into account the different options available. This work is nearing its conclusion, however the timing of it has meant that no update has been included in this paper. It is anticipated that the first proper revision will be included within the November Service Committee papers.

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 (the next block starts in 2018-19), so long as the aggregate limit remains unchanged.
- 3.3 For the 2018-19 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 A** for the full programme):

Service Block	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Yrs £'000
People and Communities	89,447	123,310	78,705	37,113	25,941	79,550
Economy, Transport and Environment	34,506	24,946	17,940	18,894	20,152	19,238
Public Health	-	-	-	-	-	-
Commercial and Investment Committee	46,384	6,958	800	12,051	800	18,720
Corporate and Managed Services	8,009	734	680	460	-	-
LGSS Operational	-	-	-	-	-	-
Total	178,346	155,948	98,125	68,518	46,893	117,508

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

Funding Source	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Yrs £'000
Grants	53,070	32,352	33,067	29,738	31,716	76,421
Contributions	19,967	44,195	54,670	16,786	8,748	192,871
Capital Receipts	21,676	5,252	6,615	19,536	1,909	9,556
Borrowing	52,550	73,355	20,416	12,593	9,266	1,462
Borrowing (Repayable)*	31,083	794	-16,643	-10,135	-4,746	-162,802
Total	178,346	155,948	98,125	68,518	46,893	117,508

* 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 2017-18 Capital Programme was set:

Service Block	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Yrs £'000
People and Communities	1,455	17,425	40,236	2,756	1,165	-7,125	-3,102
Economy, Transport and Environment	10,712	3,125	-1,907	-2,571	-2,744	-6,434	-1,668
Public Health	-	-	-	-	-	-	-
Corporate and Managed Services	958	1,311	274	220	-	-	-
LGSS Operational	-100	-	-	-	-	-	-
Commercial and Investment Committee	251	839	-145	-337	-316	42	2,008
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
Total	13,276	22,700	38,458	68	-1,895	-13,517	-2,762

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Yrs £'000
New	580	13,996	21,299	6,036	2,630	300	3,850
Removed/Ended	-4,986	-70	0	-170	-300	-9,550	10,715
Minor Changes/Rephasing*	-4,142	8,448	6,546	-9,333	5,748	3,320	-8,192
Increased Cost	-2,202	6,331	13,774	2,417	-1,949	-1,139	1,080

(includes rephasing)							
Reduced Cost (includes rephasing)	2,822	-3,341	-2,174	-1,820	-1,885	-3,182	0
Change to other funding (includes rephasing)	5,019	-376	5,797	5,423	-4,092	-254	-6,902
Variation Budget	16,185**	-2,288	-6,784	-2,485	-2,047	-3,012	-3,313
Total	13,276	22,700	38,458	68	-1,895	-13,517	-2,762

*This does not off-set to zero across the years because the rephasing also relates to pre-2017-18.

** This reflects removal of the negative Variation Budget for 2017-18, as it is a rolling budget that is refreshed every year.

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

- Change in phasing, and therefore funding, for Cromwell Community College
- Minor rephasing of school schemes
- Change in responsibility for Community Hubs – Sawston from CS to C&I (and rephasing)
- 5 new IT schemes (£1.8m)
- Increase in County Farms Viability (£1m – extending it to match the 10-year programme)
- Rephasing of MAC joint highways depot
- Amendments to the Capital Variation Budget to reflect individual changes to schemes

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

Financing Costs	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
2017-18 agreed BP	18.6	18.9	22.0	22.9	-
2018-19 draft BP	16.6	17.5	21.9	23.9	25.2
CHANGE (+) increase / (-) decrease	-2.0	-1.3	-0.1	1.0	25.2*

*This is a large increase due to having a new year 5 (i.e. there was no budget for 2022-23 in the 2017-18 BP).

4.7 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	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
2018-19 draft BP (net figures excluding Invest to Save / Earn schemes)	26.6	29.0	32.5	34.7	36.2	36.2
Recommend limit	37.9	38.6	39.2	39.7	40.3	40.8
HEADROOM	-11.3	-9.6	-6.6	-5.0	-4.1	-4.6
Recommend limit (3 years)	115.7			120.8		
HEADROOM (3 years)	-27.5			-13.7		

4.8 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 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 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
65	Invest to Save	C&I	F/C.2.240	Housing Schemes	184,493	-107,823
54	Statutory	P&C	A/C.01.046	Sawston Primary	2,830	480
54	Statutory	P&C	A/C.01.050	March new primary	8,770	1,750
54	Statutory	P&C	A/C.01.052	NIAB 2nd primary	10,950	180
54	Statutory	P&C	A/C.01.053	Robert Arkenstall Primary	500	-
54	Statutory	P&C	A/C.01.054	Wilburton Primary	500	-
54	Statutory	P&C	A/C.05.001	School Condition, Maintenance & Suitability	23,850	-
53	Other	ETE	B/C.3.001	Highways Maintenance	83,200	79,561
52	Statutory	P&C	A/C.10.001	Temporary Accommodation	13,000	33
51	Statutory	P&C	A/C.01.043	Littleport 3rd primary	5,000	2,014
50	Statutory	P&C	A/C.05.002	Kitchen Ventilation	1,650	973
49	Statutory	P&C	A/C.01.051	Wisbech new primary	8,770	4,700
49	Statutory	P&C	A/C.02.012	Cromwell Community College	5,000	1,750

49	Statutory	P&C	A/C.02.013	St. Neots secondary	10,940	700
47	Statutory	P&C	A/C.01.062	Waterbeach Primary School	6,660	6,660
47	Statutory	P&C	A/C.01.065	New Road Primary	6,470	6,470
46	Statutory	P&C	A/C.02.016	Cambourne West	24,500	9,690
46	Statutory	P&C	A/C.12.005	Integrated Community Equipment Service	13,000	13,000
45	Statutory	P&C	A/C.01.044	Loves Farm primary, St Neots	10,020	7,768
45	Statutory	P&C	A/C.08.003	SEN Pupil Adaptations	750	750
44	Statutory	P&C	A/C.01.040	Ermine Street, Alconbury, Phase 2	2,780	445
44	Statutory	P&C	A/C.01.055	Benwick Primary	2,450	2,151
44	Statutory	P&C	A/C.01.057	Northstowe 3rd primary	11,900	2,045
44	Statutory	P&C	A/C.01.064	Rackham Primary	5,600	4,741
44	Statutory	ETE	B/C.3.012	Waste - Household Recycling Centre (HRC) Improvements	8,183	5,580
43	Statutory	P&C	A/C.01.056	Alconbury Weald 2nd primary	10,050	2,272
43	Statutory	P&C	A/C.02.011	New secondary capacity to serve Wisbech	23,000	21,467
42	Statutory	P&C	A/C.01.063	St Neots Eastern Expansion	5,500	5,500
42	Statutory	P&C	A/C.02.009	Alconbury Weald secondary and special	38,000	12,050
42	Statutory	P&C	A/C.02.015	Sir Harry Smith	5,000	4,850
41	Statutory	P&C	A/C.01.049	Northstowe 2nd primary	11,250	4,326
40	Statutory	P&C	A/C.01.041	Barrington	3,318	2,718
36	Statutory	P&C	A/C.02.014	Northstowe secondary, phase 2	11,640	8,308
34	Other	P&C	A/C.09.001	Site Acquisition, Development, Analysis and Investigations	200	-
34	Other	P&C	A/C.11.002	Cambridgeshire Alternative Education Service Minor Works	200	20
34	Other	C&I	F/C.2.111	Shire Hall	6,150	3,727
33	Statutory	P&C	A/C.01.037	Chatteris New School	8,820	8,364
32	Statutory	CS	C/C.2.007	Improved display screens	84	84
29	Statutory	P&C	A/C.08.004	Replacement Pilgrim Pupil Referral Unit - Medical Provision	4,000	4,000
29	Statutory	P&C	A/C.08.005	Spring Common Special School	5,000	3,184
28	Other	ETE	B/C.3.111	East Barnwell Library	77	42
28	Other	C&I	F/C.2.112	Building Maintenance	6,000	6,000
27	Other	ETE	B/C.3.108	New Community Hub/ Library Service Provision Darwin Green	340	41
27	Other	CS	C/C.2.008	Disaster Recovery facility for critical business systems	458	458

27	Other	CS	C/C.2.010	IT Infrastructure Refresh	660	660
26	Invest to Save	CS	C/C.1.003	Citizen First, Digital First	3,546	3,546
25	Other	ETE	B/C.3.110	Milton Road Library	123	88
25	Other	C&I	F/C.2.103	Local Plans - representations	1,000	1,000
24	Other	P&C	A/C.08.002	Trinity School, Wisbech base	4,000	4,000
19	Other	P&C	A/C.12.002	Enhanced Frontline in Adult Social Care	785	785
19	Invest to Save	C&I	F/C.2.101	County Farms investment (Viability)	4,820	4,398
17	Other	C&I	F/C.2.109	Community Hubs - East Barnwell	1,950	1,659
16	Invest to Save	ETE	B/C.4.029	Energy Efficiency Fund	1,000	1,000
9	Other	P&C	A/C.11.001	Children's Minor Works and Adaptions	75	30
8	Other	CS	C/C.3.001	Capitalisation of Transformation Team	2,586	-
0	Other	CS	C/C.3.002	Capitalisation of Redundancies	2,000	-

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 in light of the new financial model that is currently being finalised.
- Updates to the forecast capital receipts figures in light of significant changes as a result of the housing schemes, and other factors.
- Updates to the Citizen First, Digital First scheme to reflect new projects being developed as part of the scheme.

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 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

8.3 Statutory, Legal and Risk Implications

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

8.4 Equality and Diversity Implications

There are no significant implications within this category.

8.5 Engagement and Communications Implications

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

8.6 Localism and Local Member Involvement

There are no significant implications within this category.

8.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable

Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not applicable
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
2017-18 Business Plan	https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/
September Service Committee reports; General Purposes Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/580/Committee/2/Default.aspx
Adults Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/605/Committee/3/Default.aspx
Children and Young People Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/630/Committee/4/Default.aspx
Economy and Environment Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/673/Committee/5/Default.aspx
Highways and Community Infrastructure Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/565/Committee/7/Default.aspx
Commercial & Investment Committee	https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/555/Committee/31/Default.aspx