Agenda Item No: 7

SERVICE COMMITTEE REVIEW OF THE DRAFT 2017-18 CAPITAL PROGRAMME

To:	**Adults Committee**
Meeting Date:	**14th September 2017**
From:	**Executive Director: People & Communities** **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 Adults Services**
Recommendation:	**a) It is requested that the Committee note the overview and context provided for the 2018-19 Capital Programme for Adults Services** **b) It is requested that the Committee comment on the draft proposals for Adults' 2018-19 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 2018-19 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 again 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.

2.2 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 is due to receive 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 and capital 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 currently being reviewed, refined and developed by both the Housing Company and the Council. As such, it is expected that the figures within the Business Plan will continue to be refined as the model evolves over the next few months.

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 2017-18 Business Plan, GPC agreed that this should continue to 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. GPC will be asked to reconfirm this decision for the 2018-19 process as part of the Capital Strategy paper, also being presented at the September meeting.

4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

4.1 The revised draft Capital Programme is as follows:

Service Block	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Later Yrs £'000
People and Communities	87,573	121,024	78,846	37,229	25,992	85,353
Economy, Transport and Environment	34,250	25,232	17,631	18,561	20,098	19,182
Public Health	-	-	-	-	-	-
Commercial and Investment Committee	46,994	6,938	1,120	12,371	760	18,970
Corporate and Managed Services	7,136	460	460	460	-	-
LGSS Operational	-	-	-	-	-	-
Total	**175,953**	**153,654**	**98,057**	**68,621**	**46,850**	**123,505**

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	53,009	32,373	33,046	29,716	31,712	78,020
Contributions	19,927	44,375	54,545	14,164	8,160	196,305
Capital Receipts	21,676	5,252	6,615	19,536	1,909	9,556
Borrowing	51,426	72,842	20,659	12,690	9,215	2,426
Borrowing (Repayable)*	29,915	-1,188	-16,808	-7,485	-4,146	-162,802
Total	**175,953**	**153,654**	**98,057**	**68,621**	**46,850**	**123,505**

* 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	1,832	15,545	37,793	3,022	3,903	-6,486	-2,333
Economy, Transport and Environment	10,712	2,976	-1,665	-2,859	-3,055	-6,484	-1,723
Public Health	-	-	-	-	-	-	-
Corporate and Managed Services	958	438	-	-	-	-	-

LGSS Operational	-100	-	-	-	-	-	-
Commercial and Investment Committee	-650	1,449	-165	-17	4	2	2,258
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
Total	**12,752**	**20,408**	**35,963**	**146**	**852**	**-12,968**	**-1,798**

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	12,806	20,957	5,761	2,630	300	3,850
Removed/Ended	-6,054	180	200	30	-100	-9,300	11,965
Minor Changes/Rephasing*	-3,757	8,639	5,198	-9,318	5,741	3,320	-8,192
Increased Cost (includes rephasing)	-2,002	4,096	12,050	2,667	901	-839	-420
Reduced Cost (includes rephasing)	2,822	-3,341	-2,174	-1,820	-1,885	-3,182	0
Change to other funding (includes rephasing)	4,978	-459	5,715	5,373	-4,092	-254	-6,752
Variation Budget	**16,185	-1,513	-5,983	-2,547	-2,343	-3,013	-2,249
Total	**12,752**	**20,408**	**35,963**	**146**	**852**	**-12,968**	**-1,798**

**This does not off-set to zero across the years because the rephasing also relates to pre-2017-18.*
***This reflects removal of this budget for 2017-18, as it is a rolling budget that is refreshed every year*

4.5 The revised levels of borrowing result in the following 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	17.4	21.6	23.6	25.1
CHANGE (+) increase / (-) decrease	**-2.0**	**-1.5**	**-0.4**	**0.7**	**25.1**

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	**2018-19 £m**	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**	**2022-23 £m**	**2023-24 £m**
2018-19 draft BP (excluding Invest to Save / Earn schemes)	26.5	28.8	32.2	34.4	36.1	36.1
Recommend limit	37.9	38.6	39.2	39.7	40.3	40.8
HEADROOM	**-11.4**	**-9.8**	**-6.9**	**-5.3**	**-4.2**	**-4.8**
Recommend limit (3 years)	115.7			120.8		

HEADROOM (3 years)	-28.1	-14.3

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 ADULTS SERVICES DRAFT CAPITAL PROGRAMME

5.1 The capital programme for the Adults and Safeguarding Service Directorate of the People and Communities (P&C) Executive Directorate is relatively small compared to its recurring revenue expenditure and to capital spending in other areas of the Council, totalling around £5m per year 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 Adult and Safeguarding Services, capital expenditure has, until recently been predominantly funded through ring-fenced grants from the Department of Health. Changes to the Department of Health funding into the Better Care Fund in 2016/17 means the Council no longer receives £1.3m in direct grant to support the capital programme, to continue to meet the capital needs of County Council services for Adults, it has been necessary to borrow in line with the CIPFA Prudential Code for Capital Finance. The anticipated funding sources per scheme for the draft Adult and Safeguarding capital programme are identified in Appendix A.

5.3 As in previous years, it is proposed to organise and phase capital spending in the Adult and Safeguarding Service directorates under the following categories and timescales. Full draft tables can be found in Appendix A.

Summary of Schemes by Category		Total Cost £000	Previous Years £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	Later Years £000
A/C.12.002	Enhanced Frontline	2,892	2,107	150	150	150	150	185	0
A/C.12.004	Disabilities Facilities Grant	19,318	8,881	3,479	3,479	3,479	0	0	0
A/C.12.005	Integrated Community Equipment Service	13,000	1,300	1,300	1,300	1,300	1,300	1,300	5,200
	Total - Adults' Services	36,075	13,153	4,929	4,929	4,929	1,450	1,485	5,200

5.4 **Enhanced Frontline** – This comprises spending on provider services (including the small number of in-house run services) and related delivery of social care, predominantly for clients with needs from learning disabilities, mental health or old age. This spend includes enhancing facilities of the centres and ensuring suitability of centres for clients

5.5 **Integrated Community Equipment Service** – Capital spending on community equipment continues to be a priority and preventative in terms of reducing revenue expenditure. Funded by prudential borrowing.

5.6 **Disabled Facilities Grant** – It is anticipated the funding for the Disabled Facilities Grant will continue to be received in 2018-19 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. Funding has been assumed until 2020-21.

5.7 As paragraph 2.3 sets out in more detail, the Council is progressing plans for securing sufficient affordable care home bed places, but is not yet in position to include costed implications in the capital programme.

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.

7.2 Statutory, Risk and Legal Implications

Regulations for capital expenditure are set out under Statute. The Council complies with these requirements

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.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Officer: Kerry Newson
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Name of Officer: Fiona McMillan
Are there any Equality and Diversity implications?	Yes Name of Officer: Charlotte Black
Have any engagement and communication implications been cleared by Communications?	Yes or No Name of Officer:
Are there any Localism and Local Member involvement issues?	Yes Name of Officer: Charlotte Black
Have any Public Health implications been cleared by Public Health	Yes Name of Officer:

Source Documents	Location
Capital Programme Board papers Latest Social Services capital grant letter from Department of Health	*c/o Group Accountant , LGSS Finance Octagon, Shire Hall, 01223 507126*