

SERVICE COMMITTEE REVIEW OF THE DRAFT 2017-18 CAPITAL PROGRAMME

To: **Economy and Environment Committee**

Meeting Date: **1 September 2016**

From: **Executive Director, Economy, Transport and Environment**

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 Economy, Transport and Environment**

Recommendation: **a) It is requested that the Committee note the overview and context provided for the 2017-18 Capital Programme for Economy, Transport and Environment**

b) It is requested that the Committee comment on the draft proposals for Economy, Transport and Environment's 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 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 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, 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 £35m 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	-	-	-	-	-	-
Total	235,564	134,311	88,381	90,734	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	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
Total	235,564	134,311	88,381	90,734	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	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	-	-	-	-	-	-	-
Total	-15,208	50,165	-20,430	-34,745	3,412	-13,523	-15,838

* 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
Total	-15,208	50,165	-20,430	-34,745	3,412	-13,523	-15,838

*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 Business Plan (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
CHANGE (+) increase / (-) decrease	-0.9	-0.2	-1.5	-2.2	33.1

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	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
HEADROOM	3.8	-2.5	-8.5	-8.6	-8.3	-7.6
Recommend limit (3 years)	102.4			115.7		
HEADROOM (3 years)	-7.2			-24.5		

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 ECONOMY, TRANSPORT & ENVIRONMENT's DRAFT CAPITAL PROGRAMME

5.1 The revised draft Capital Programme for Economy, Transport and Environment (ETE) is as follows:

Capital Expenditure	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Later Yrs £'000
Economy, Transport and Environment	63,986	27,243	26,112	20,928	21,660	31,901

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
Grants	38,870	21,500	16,524	17,021	18,021	23,000
Developer Contributions	4,827	5,540	3,303	400	1,200	10,645
Other Contributions	9,758	0	0	0	0	0
Borrowing	5,682	4,321	7,265	3,537	3,269	8,901
Borrowing (Repayable)*	4,849	-4,118	-980	-30	-830	-10,645
Total	63,986	27,243	26,112	20,928	21,660	31,901

* 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.

5.3 The full list of ETE capital schemes is 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 grants, developer contributions or prudential borrowing.

5.4 Papers on the individual schemes have been, or will be, considered separately by the appropriate Service Committee.

5.5 Changes to Existing Capital Schemes

5.5.1 Changes to existing schemes, such as rephrasing, re-costing, and revised funding are highlighted below. The Integrated Transport Schemes apply to both Economy and Environment Committee and Highways and Community Infrastructure Committee, so those are listed first. Following that, items are grouped by Service Committee.

5.6 Integrated Transport Schemes

5.6.1 Delivering the Transport Strategy Aims

This area is mainly funded by Local Transport Plan grant funding from the Department for Transport as well as schemes funded by developer contributions. Previously the 'Delivering the Transport Strategy Aims' budget and 'Cambridgeshire Sustainable Transport Improvements' budget were separate but as many of the schemes were similar it is more effective to combine the 2 budgets.

5.7 Economy and Environment Committee

5.7.1 Ely Crossing

Project forecast is for delivery in late 2017. The procurement of a two-stage Design and Build contract has now been completed and a contractor appointed. The DfT has approved the Major Schemes Business Case (MSBC) and the release of Growth deal funding, based on the tender target price on the condition that the construction target price on completion of the design does not reduce the current Benefit Cost ratio in the MSBC.

5.7.2 King's Dyke

Planning permission has been granted and the tender package prepared. Agreeing access to private land for ground investigation surveys has delayed the completion of the works information, but it is anticipated that this will be resolved in September 2016.

5.7.3 Investment in Connecting Cambridgeshire

This programme is expected to extend to the end of 2019/20 but still within the overall funding.

5.8 Highways and Community Infrastructure Committee

5.8.1 Highways Maintenance

Underspends from 2015/16 have been rephased over the future years budgets.

5.8.2 Waste – Household Recycling Centre (HRC) Improvements

A new facility is proposed in the Greater Cambridge area, a site is required to replace the current facility in March and works are required to maintain/upgrade other HRCs in the network.

5.8.3 Development of Archives Centre premises

This budget has been rephased to match expected completion of this scheme in 2017/18. Initial figures indicate that this scheme could cost more than the current approved budget, however until firmer figures are available, it is too soon to look into possible options for this scheme.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

The following bullet points set out details of implications identified by officers:

- Investing in key infrastructure schemes will promote growth in the number of jobs in our area and thus growth of the economy.
- Transport schemes are critical in allowing people to get around effectively and efficiently and to access work and other facilities they need.

6.2 Helping people live healthy and independent lives

See wording under 6.1 above.

6.3 Supporting and protecting vulnerable people

See wording under 6.1 above.

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

The following bullet points set out details of significant implications identified by officers:

- There may be revenue implications associated with operating new or enhanced capital assets but equally capital schemes can prevent the need for other revenue expenditure.
- The overall scale of the capital programme has been reduced to limit the impact on the Council's revenue budget and this in turn will have beneficial impacts on the services that are provided from that source.

7.2 Statutory, Risk and Legal Implications

The following bullet points set out details of significant implications identified by officers:

- 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

There are no significant implications within this category.

7.4 Engagement and Consultation Implications

The following bullet point sets out details of significant implications identified by officers:

- Consultation is continuous and ongoing between those parties involved to ensure the most effective use of capital funding.

7.5 Localism and Local Member Involvement

The following bullet point sets out details of significant implications identified by officers:

- Local Members will be engaged where schemes impact on their area and where opportunities for strategic investment arise.

7.6 Public Health Implications

The following bullet point sets out details of significant implications identified by officers:

- Strategic investment in the schemes outlined has significant potential to improve Public Health outcomes, particularly through investing in schemes that encourage cycling and walking and other healthy activities.

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

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