Agenda Item No: 6

SERVICE COMMITTEE REVIEW OF THE DRAFT 2016-17 CAPITAL PROGRAMME

To:	**Economy and Environment Committee**
Meeting Date:	**8th September 2015**
From:	**Executive Director, Economy, Transport and Environment 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 Economy, Transport and Environment**
Recommendation:	**a) It is requested that the Committee note the overview and context provided for the 2016-17 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 2016-17 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 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 2016-17 CAPITAL PROGRAMME

2.1 For the 2016-17 Business Planning process, 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 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 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 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.*

4.5 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.

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	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Later Yrs £'000
Economy, Transport and Environment	91,539	71,114	44,956	43,688	23,302	39,727

5.2 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	57,487	44,612	39,366	35,266	16,266	24,000
Developer Contributions	5,234	3,054	2,825	2,217	634	12,249

Other Contributions	9,789	520	0	0	0	0
Borrowing	19,073	23,712	4,085	6,985	6,032	14,438
Borrowing (Repayable)*	-44	-784	-1,320	-780	370	-10,960
Total	**91,539**	**71,114**	**44,956**	**43,688**	**23,302**	**39,727**

* 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 following table shows how ETE's borrowing position has changed since the 2015-16 Capital Programme was set:

Borrowing Figures	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	Later Yrs £'000
Previous borrowing as per 15/16 plan	25,100	3,544	4,185	6,085	6,347	15,357
Proposed borrowing	19,073	23,712	4,085	6,985	6,032	14,438
Change in borrowing	-6,027	+20,168	-100	+900	-315	-919

Repayable borrowing is excluded in the above table.

5.4 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.

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

5.6 **Changes to Existing Capital Schemes**

5.6.1 Changes to existing schemes, such as rephasing, 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.

5.6.10 **Economy and Environment Committee**

5.6.11 **Ely Crossing**

This scheme has been rephrased. A change to procurement regulations and limited consultancy resources, has resulted in greater contract preparation time than originally anticipated. £1m worth of CIL contributions will assist with the funding of this scheme and therefore reduce our borrowing requirement.

5.6.12 **King's Dyke**

This scheme has been rephased as the planning applications has taken longer to prepare than originally anticipated.

5.6.13 **Guided Busway**

There is no change in the overall cost; however the receipt of S106 developer contributions has been rephased to match when these are likely to be received.

5.6.14 **City Deal**

The City Deal schemes will be listed individually and phased to match likely expenditure rather than matching the receipt of Central Government grant, which is received in equal amounts over five years. Schemes are in the early stages of development and it is likely that the phasing will change as schemes develop.

5.6.15 **Investment in Connecting Cambridgeshire**

This programme has been extended due to additional funding and investment from BT for a further rollout phase to be delivered between January 2016 and late summer 2017 to deliver fibre broadband to more premises across Cambridgeshire and Peterborough. The original project planned to complete by the end of December 2015 is on track and will deliver the planned coverage by the end of December 2015. The total scheme cost has increased slightly matched by additional grant funding from BDUK.

5.6.16 **Highways and Community Infrastructure Committee**

5.6.17 **Archives / Ely Hub**

The costs for this scheme will increase from £4.0m to £6.198m partly due to the original feasibility study underestimating the costs and a more recent review correcting this. Also the original cost was just based on an archive centre, whereas now the centre will include other services.

5.6.18 **Library service essential maintenance and infrastructure renewal**

The additional costs relate to the re-tender of the self service system which will no longer be supported by 2018. This would be funded by borrowing.

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

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

- Much of our investment is on schemes promoting healthy forms of travel
- Access to jobs and work increases personal wellbeing

6.3 Supporting and protecting vulnerable people

There are no significant implications for this priority

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.

Source Documents	**Location**
The 2015/16 Business Plan, including the Capital Strategy	http://www.cambridgeshire.gov.uk/info/20043/finance_and_budget/90/business_plan_2015_to_2016
Capital Planning and Forecast: financial models	c/o Group Accountants 1st Floor Octagon Shire Hall Cambridge