

**SERVICE COMMITTEE REVIEW OF THE DRAFT 2020-21 CAPITAL PROGRAMME**

*To:* **Children and Young People's Committee**

*Meeting Date:* **8<sup>th</sup> October 2019**

*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 People & Communities (P&C)**

*Recommendation:* **a) It is requested that the Committee note the overview and context provided for the 2020-21 Capital Programme for P&C**

**b) It is requested that the Committee comment on the draft proposals for P&C's 2020-21 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 2020-21 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 also be reviewed by General Purposes Committee (GPC) in November, before firm spending plans are considered again by Service Committees in December. GPC will review the final overall programme in January, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme as part of the overarching Business Plan for Full Council to consider in February.
- 2.2 The introduction of the Transformation Fund 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 main schemes that this applies to:

- The Adults Committee first considered the Older People's Accommodation Strategy in 2016, and in September 2017 agreed a blended approach for increasing capacity for residential/nursing care. One element of this was to procure an increase in capacity through a number of new build sites, which has potential for implications for the Council's capital plans through provision of land or other assets, or involvement with construction. The Council is engaged with health partners on these challenges, to maximise a 'one public estate' approach.
- The Council, in cooperation with health partners, is reviewing the care that is provided to service-users with learning disabilities, particular those placed out-of-county due to lack of suitable local provision. One option being considered is the acquisition of land and/or buildings that could provide bespoke services to groups of individuals with high needs reducing the need to source high-cost residential placements while improving outcomes. This would have an impact on the Council's capital plans through provision of land or other assets, or involvement with construction. This will only be done where the new provision is more cost-effective than current arrangements.
- On 15<sup>th</sup> August 2019 the Economy & Environment Committee considered a report detailing the outcome of the stage 1 design contract and the next steps for the King's Dyke project. It was resolved unanimously to:
  - a) Agree that Kier should not be awarded the stage 2 construction contract.
  - b) Reaffirm that route 3 remained the preferred route option.
  - c) Approve the commencement of a restricted two stage OJEU procurement of a target cost with activity schedule design and build contract in accordance with option (c) in section 2.33 of the report.
  - d) Agree the assessment of tender returns based on a 60% - 40% price/quality split.
  - e) Agree that officers should consider potential sources of further scheme funding should it be needed as the procurement proceeds.
  - f) Delegate to the Executive Director in consultation with the Chairman and Vice Chairman of the Committee, the ability to make minor changes to the procurement process and timeline.

The outcome of the tender process will be presented to the, following which the capital project budget will be updated.

### **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 2017 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 2019-20 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 are due to set limits for the 2020-21 Business Plan in October.

#### 4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

- 4.1 The revised draft Capital Programme is as follows:

Service Block	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
People and Communities	56,757	73,830	72,426	77,315	48,033	50,401
Place and Economy	25,998	32,338	21,330	15,025	15,025	16,000
Commercial and Investment	66,608	55,307	6,199	800	800	4,000
Corporate and Managed Services	8,026	2,890	-	-	-	-
<b>Total</b>	<b>157,389</b>	<b>164,365</b>	<b>99,955</b>	<b>93,140</b>	<b>63,858</b>	<b>70,401</b>

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

Funding Source	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
Grants	51,544	37,652	31,603	28,607	32,570	58,332
Contributions	12,713	39,880	47,005	36,403	22,235	213,029
Capital Receipts	5,773	3,231	500	500	500	1,500
Borrowing	44,600	52,717	26,237	27,880	11,813	389
Borrowing (Repayable)*	42,759	30,885	-5,390	-250	-3,260	-202,849
<b>Total</b>	<b>157,389</b>	<b>164,365</b>	<b>99,955</b>	<b>93,140</b>	<b>63,858</b>	<b>70,401</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 2018-19 Capital Programme was set:

Service Block	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
People and Communities	-21,220	-21,906	22,186	-179	2,586	15,397	1,595
Place and Economy	11,875	1,935	-3,485	188	2,916	-	-
Corporate and Managed Services	-342	5,434	578	-	-	-	-
Commercial and Investment	5,652	13,621	55,778	5,399	-	-	-67,751
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
<b>Total</b>	<b>-4,035</b>	<b>-916</b>	<b>75,057</b>	<b>5,408</b>	<b>5,502</b>	<b>15,397</b>	<b>-66,156</b>

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Later Yrs £'000
New	4,442	13,068	3,075	0	0	0	0
Removed/Ended	-6,489	-35	-186	-3,785	-5,828	4,170	2,850
Minor Changes/Rephasing*	-37,990	-50,464	44,330	9,851	10,851	14,899	1,780
Increased Cost (includes rephasing)	7,627	-757	1,835	1,300	139	0	0
Reduced Cost (includes rephasing)	-2,180	-7,397	2,450	33	-195	0	1,300
Change to other funding (includes rephasing)	-1,104	1,971	-1,078	-162	0	-1,095	0
Housing schemes	-3,660	43,353	38,885	0	0	0	-68,551
Variation Budget	35,319	-655	-14,254	-1,829	535	-2,577	-3,535
<b>Total</b>	<b>-4,035</b>	<b>-916</b>	<b>75,057</b>	<b>5,408</b>	<b>5,502</b>	<b>15,397</b>	<b>-66,156</b>

*\*This does not off-set to zero across the years because the rephasing also relates to pre-2019-20.*

4.5 These revised levels of borrowing will have an impact on the level of debt charges incurred. The debt charges budget is also currently undergoing thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest – the results of this will be fed into the next round of committee papers on capital.

## 5. OVERVIEW OF PEOPLE & COMMUNITIES' DRAFT CAPITAL PROGRAMME

5.1 The Council has a statutory duty to provide a place for every child whose parents want them educated in a state-funded school, including academies. It also has a duty to secure sufficient childcare places including free early education for all three and four year olds and the most vulnerable two year olds (15 hours per week 38 weeks a year), and to meet the extended entitlement of 30 hours a week (38 weeks a year) free childcare for 3 and 4 year olds whose parents meet the qualifying criteria. This is known as basic need provision. Government funding for the basic need provision of mainstream school places together with S106 receipts (and to a lesser extent

Community Infrastructure Levy (CIL)) provide the main funding sources for the P&C five year rolling programme of capital investment. In addition, the government provides funding for maintenance to address school condition needs, which cannot be met by schools from their devolved formula capital (DFC), and for specific initiatives such as the Priority Schools Building Programme. The Department for Education (DfE) determines the basic need capital allocation using data collected each July from the Council's School Capacity (SCAP) return.

- 5.2 The Council has been allocated £20,626,206 in Basic Need funding for 2020-21. Allocations for future years have not yet been announced and we have recently had confirmation from the Department for Education that allocations will not be available in 2019. In light of this announcement officers will review the current Basic Need assumptions in advance of the next round of committee papers on capital.
- 5.3 The Capital Programme has undergone a review to determine if schemes can be reduced, amended, removed or delayed in order to help deliver revenue savings through reduced costs of borrowing.
- 5.4 The results of this review can be summarised as follows:
- Where schemes have already been let to contractors, there is little opportunity to reduce costs further, although there is ongoing work on all schemes to identify value engineering savings which do not compromise the scheme. In addition, it would actually cost the Council more to remove or postpone these schemes due to contract and inflation costs.
  - There are a significant number of schemes that are either being delivered in partnership, with the use of grant funding, or as a result of developer contributions. As such, there is little that can be done to amend these schemes.
  - Where schemes are being delivered in response to a statutory requirement, it is unlikely that a scheme can be removed but it is possible that the scheme can be delivered in an alternative way, the cost can be reduced or the scheme could be delayed, all of which would provide either temporary (in the case of delay) or long-term revenue benefit to the Council.
  - The schemes that have not yet been let to contractors tend to have start dates of 2020-21 and later. As such, they provide no immediate benefit to the revenue position. In addition, the Council's current accounting policies mean that neither Minimum Revenue Provision (MRP) – the cost of repaying borrowing – nor interest costs on borrowing are charged to revenue whilst a scheme is in progress. As such, due to these schemes generally taking at least one year to complete, the revenue benefit of removing, delaying or reducing the cost of these schemes would not be realised until at least 2021-22

An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) is undertaken, which allows schemes to be ranked and prioritised against each other.

- 5.5 The following new schemes have been added to the programme since it was approved by Full Council in February 2019.

<b>Project</b>	<b>Description</b>
Kennett Primary School	Relocation and expansion of the existing primary academy to provide an additional 150 places. The school is planned to be available for occupation from September 2022.
Site Acquisition – St Ives	Site acquisition in St Ives to accommodate anticipated pupil growth

- 5.6 The following scheme, was approved by GPC in summer 2019 but has been included for information as it represents a change from the Business Plan Approved in February 2019 and will incur expenditure in 2019-20:

**Spring Common Academy** – A revised scheme has been added back into the Capital Programme after being removed from the 2019-20 Business Plan due to concerns about cost. The new scheme has been designed in liaison with the school's Head Teacher to identify the priorities for capital investment to address basic need and the suitability of accommodation.

- 5.7 The following three schemes have been identified for proposed removal from the Programme:

- Pendragon, Papworth
- March New Primary
- Wisbech New Primary

While it is likely that these schools will be required eventually, the timeframes around them are such that their continued inclusion at this stage would be inappropriate.

- 5.8 The following schemes have experienced changes in Total Scheme Costs. Where an increased cost is showing, this is above inflation.

<b>Scheme</b>	<b>Reason for Change in Scheme Cost</b>
St Ives, Eastfield / Westfield	Following a request from CYP committee this scheme was re-scoped and the overall cost reduced to a value of £7m, net of anticipated capital receipts from sale. Feasibility options are presently under consideration.
Samuel Pepys School	Due to ongoing demand for special educational needs (SEN) provision this scheme has been redesigned in order to provide 165 places as opposed to the 120 initially planned.
Cromwell Community College expansion	Archaeological and Highways issues have caused delays over the summer period resulting in increased costs to ensure that the scheme is completed in time. At this stage an increased cost of £380k has been built into the capital plan, but the final figure is likely to be higher. The service is currently undertaking a detailed

	review to ensure that additional costs are kept to a minimum and these will be communicated to the Committee once known.
Northstowe Secondary	As previously reported to Committee, savings of £1,012k were made during the tender process for Northstowe Secondary School
Various schemes with savings made on contingency and risk	There are 12 primary schemes and one secondary scheme where the full allowance for contingency and risk has not been required, resulting in total cost reduction of £1,421k
Various schemes with savings made through tender	£636k of savings have been made across three schemes through the tender process

## 5.9 Rephased schemes

A review of the required occupancy dates of schools has been undertaken resulting in the rephasing of schemes. The effect of this rephasing on the overall Education Capital spend each year is outlined in the table below:

Year	Previous	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Change in capital expenditure (£)	-432	-34,402	-41,544	4,516	10,376	36,578	29,469	-525	-1,610	-155

- 5.10 The draft programme is set out in detail in **Appendix A (exempt from publication)**, with anticipated funding sources per scheme for the draft P&C capital programme are identified in Table 5 of **Appendix A (exempt from publication)**. Details of some schemes are exempt from publication at this point as they have not yet been let to a contractor, so **Appendix B** had been produced which sets out the anticipated expenditure on those schemes which are non-confidential.

## 6. ALIGNMENT WITH CORPORATE PRIORITIES

### 6.1 A good quality of life for everyone

The report above sets out the implications for this priority in 5.1

### 6.2 Thriving places for people to live

The report above sets out the implications for this priority in 5.1

### 6.3 The best start for Cambridgeshire's children

The report above sets out the implications for this priority in 5.1



## **7. SIGNIFICANT IMPLICATIONS**

### **7.1 Resource Implications**

The following bullet points set out details of significant implications identified by officers; these are additional to those set out in Section 5.

- 7.1.1 Since April 2015, S106 has been limited to site/development specific requirements and only what is required to mitigate the impacts of planned development. Any contributions being sought from developers must demonstrate that they are:
- Necessary to make the development acceptable in planning terms;
  - directly related to the development; and
  - Fairly and reasonably related in scale and kind to the development.
- As a result, services are now required to provide far greater detail of projects and costs at an earlier stage than previously to demonstrate the case for funding and to meet the test set out in the CIL regulations. The main implication of this approach is that the Council now needs to invest upfront in feasibility studies, which adds to its costs without there being any certainty that it will secure developer contributions to offset these.
- 7.1.2 Where the Council is successful in securing S106 funding this is typically released in two tranches: 10% on commencement of the development and 90% after the occupation of the first 100 houses. In cases where more than one school is required and/or larger schools are to be provided, the trigger points will be agreed to reflect this. To achieve opening a new school to coincide with the requirement for places from the first families moving in, the Council has usually found it necessary to bridge the gap in funding between commencement of the enabling works for the school building and release of the first tranche of S106 funding.
- 7.1.3 CIL contributions are collected and held by the district councils, at a level set by the individual districts. Each district determines the priorities for use of this funding, which will include other infrastructure requirements as well as Education. As a consequence, the Council faces the prospect of having to fund a higher proportion of the total cost of expanding school from its available resources,

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

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

The vast majority of the schemes within the CYP capital programme are focused on creating additional capacity to provide for the identified need for new places for Cambridgeshire's children and young people in response to demographic need and housing growth. Should the Council not be able to proceed with these projects as planned, the only alternatives available to it would be:

- Provision of mobiles in place of permanent accommodation. Although it must be recognised that planning applications for mobiles are subject to the same rigorous process as permanent build applications and are usually only granted for between 3 to 5 years. In addition, the Council would be unable to secure Basic Need funding from the DfE to replace the mobiles with permanent accommodation as it would deem that the Council had already met the Basic Need requirement for places.

- Provision of free transport to alternative, more distant schools whilst those children remain of statutory school age. Where it proves necessary to transport children to more than one school, this would have the effect of fragmenting the community, as well as increasing costs.
- Phasing of projects. Although it must be recognised that this has cost implications in that construction tender price inflation is increasing rapidly.

### **7.3 Equality and Diversity Implications**

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

- Take up of free early education for 2, 3 and 4 year olds supports school readiness on entry to statutory education (Reception) and contributes to improved outcomes for children. Free early education for two year olds is targeted at families on low incomes, those who are Looked After and those whose parents are in the Forces.
- All accommodation, both mobile and permanent has to be compliant with the provisions of the Public Sector Equality Duty and current Council standards.

### **7.4 Engagement and Consultation Implications**

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

- Significant levels of engagement and consultation take place with all schools and early years settings identified for potential expansion to meet the need for places in their local areas over the development and finalisation of those plans. Schemes are also presented to local communities for comment and feedback in advance of seeking planning permission.
- Any decision to change the scale or scope of those plans in order to reduce capital costs would need to be communicated to the affected schools individually as a matter of urgency in order to avoid the potential of them hearing about this from third parties.

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

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

- Through its commissioning role, the Council ensures that:
  - those private, voluntary and independent providers who tender to establish and run new early years and childcare provision understand the local context in which they will operate, should they be successful in being awarded contracts by the Council;
  - potential sponsors who apply to establish and run new schools understand the local context in which they will operate, should their applications be approved for implementation by the Regional Schools' Commissioner and the Secretary of State for Education;
- Local Members are:
  - kept informed of planned changes to provision in their wards and their views sought on emerging issues and actions to be taken to address these;
  - invited to participate in the assessment of potential sponsors' proposals to establish and run new schools in the county in response to the

Council's identified published need for new schools to meet its basic need requirements.

## 7.6 Public Health Implications

There are no significant implications within this category

Implications	Officer Clearance
<b>Have the resource implications been cleared by Finance?</b>	Yes Martin Wade
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	Yes Martin Wade
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	Yes Fiona McMillan
<b>Are there any Equality and Diversity implications?</b>	Yes Jon Lewis
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Jo Dickson
<b>Are there any Localism and Local Member involvement issues?</b>	Yes Jon Lewis
<b>Have any Public Health implications been cleared by Public Health</b>	Yes Tess Campbell

Source Documents	Location
Business Plan 2020/21 Letter from Lord Agnew re: Basic Need Allocations Pupil forecast data	0-19 Place Planning & Organisation Service Second Floor Octagon Cambridge CB3 0AP