

Service Committee Review of the draft 2021-22 Capital Programme

To: General Purpose Committee

Meeting Date: 20th October 2020

From: Chief Finance Officer

Electoral divisions(s): All

Forward Plan ref: Not applicable

Key decision: No

Outcome: To present to Committee an overview of the draft Business Plan Capital Programme for Corporate and Managed Services and provide an opportunity to comment.

Recommendation: The Committee is asked to:

- a) Note the overview and context provided for the 2021-22 Capital Programme for Corporate and Managed Services.
- b) Comment on the draft proposals for Corporate and Managed Services' 2021-22 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 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 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 2021-22 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:

- There is the potential for further capital schemes to be developed as part of the Older People's Accommodation Strategy, in line with the Adults' Committee's previous decision for a blended approach to increasing capacity for residential and nursing care. One element of this is 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; however, plans are not yet developed sufficiently to include any capital estimate within the Business Plan.

2.4 Where the Covid-19 pandemic is anticipated to have an impact on the costs of a capital scheme and this has been quantified, this has been worked into revised budgets based on the current situation. However, work is still ongoing in some areas to quantify impact, and as such there is the potential for budgets to continue to be revised over the next few months as the situation unfolds. Any further changes to Government guidelines in response to the pandemic, or local lockdowns, would also require further revision of costs/timescales, and therefore capital budgets.

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 2020-21 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 2021-22 Business Plan as part of the Capital Strategy review in November.

4. Summary of the draft Capital Programme

4.1 The revised draft Capital Programme is as follows:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Years £'000
People and Communities	41,010	140,781	91,275	45,777	18,672	33,311
Place and Economy	40,488	21,620	15,206	15,185	15,185	15,200
Corporate and Managed Services	18,038	907	106	-	-	-
Commercial and Investment	63,748	5,412	8,882	5,960	1,000	10,757
Total	163,284	168,720	115,469	66,922	34,857	59,268

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

Funding Source	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Years £'000
Grants	27,988	27,145	27,434	32,363	27,938	42,702
Contributions	45,988	69,727	58,628	42,706	3,113	102,672
Capital Receipts	33,386	200	2,200	2,200	2,200	10,000
Borrowing	60,613	68,416	49,053	16,327	1,606	-7,134
Borrowing (Repayable)*	-4,691	3,232	-21,846	-26,674	-	-88,972
Total	163,284	168,720	115,469	66,922	34,857	59,268

* 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 2020-21 Capital Programme was set:

Service Block	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Years £'000
People and Communities	-3,566	-15,421	56,864	11,963	-669	3,019	563
Place and Economy	-4,974	12,288	1,830	-	-	-	-
Corporate and Managed Services	1,872	9,302	795	-6	-	-	-
Commercial and Investment	-1,024	20,407	-4,264	5,073	-2,040	-100	-2,676
Corporate and Managed Services – relating to general capital receipts	2,004	-	500	-1,500	-1,500	-1,500	-9,000
Total	-5,688	26,576	55,725	15,530	-4,209	1,419	-11,113

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Years £'000
New	390	1,917	14,094	2,494	4,191	1,980	150
Removed/Ended	-2,265	0	0	0	0	0	0
Minor Changes/Rephasing *	-49,277	-174	31,313	20,907	5,832	840	2,636
Increased Cost (includes rephasing)	10,760	5,342	8,471	4,276	1,983	382	0
Reduced Cost (includes rephasing)	-1,005	4,760	7,620	-9,142	-14,562	-530	0
Change to other funding (includes rephasing)	9,028	15,610	-4,056	-2,715	-1,725	-1,670	-8,759
Variation Budget	26,681	-879	-1,717	-290	72	417	-5,140
Total	-5,688	26,576	55,725	15,530	-4,209	1,419	-11,113

**This does not off-set to zero across the years because the rephasing also relates to pre-2020-21.*

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 Corporate and Managed Services' Capital Programme

5.1 The revised draft capital programme for the Corporate and Managed Services is as follows:

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Years £'000
Corporate Services	19,194	1,000	-	-	-	-
Managed Services	135	134	132	-	-	-
Transformation	3,218	-	-	-	-	-
Capital Programme Variation	-4,509	-227	-26	-	-	-
Total	18,038	907	106	-	-	-

5.2 It is anticipated to be funded by the following resources:

Funding Source	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Later Years £'000
Grants	410	-	-	-	-	-
Contributions	5,452	-	-	-	-	-
Capital Receipts	2,587	-	-	-	-	-
Borrowing	9,589	907	106	-	-	-
Total	18,038	907	106	-	-	-

5.3 The full list of Corporate and Managed capital schemes are shown in the draft capital programme at Appendix 1.

5.4 The following changes have been made to existing schemes from the 2020-21 Business Plan:

- IT Strategy: The budget for this scheme has been rephased to reflect the timing of the work. A number of IT Strategy projects have been delayed or have made slower progress than originally planned due to the impact Covid-19 is having on day-to-day operations. This scheme is to be funded from prudential borrowing.
- Data Centre Relocation: The budget for this scheme has been rephased to reflect the timing of the work. Due to the impact of Covid-19 the requirement for connectivity within the Shire Hall campus has been extended which has also resulted in a delay in the move date for the Data Centre. This scheme is to be funded from prudential borrowing.
- Investment in Connecting Cambridgeshire: The budget for this scheme has been increased and rephased to reflect the timing of the work. Due to the nature of the contract with BT, the majority of the costs are being extended with expenditure being incurred into 2021-22. This scheme is to be funded from prudential borrowing, grant funding and other contributions – the increase in budget will be funded by non-borrowing.

6. Alignment with Corporate Priorities

6.1 A good quality of life for everyone

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.2 Thriving places for people to live

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.3 The best start for Cambridgeshire's children

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

6.4 Net zero carbon emissions for Cambridgeshire by 2050

The Services discussed in this report play a significant role in enabling the Council to achieve this priority.

7. Significant Implications

7.1 Resource Implications

The resource implications have been noted within the main body of the report.

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

7.3 Statutory, Legal and Risk Implications

There is a risk that capital schemes which are expected to result in revenue income do not deliver the level of income expected.

7.4 Equality and Diversity Implications

There are no significant implications within this category.

7.5 Engagement and Communications Implications

There are no significant implications within this category.

7.6 Localism and Local Member Involvement

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

7.7 Public Health Implications

There are no significant implications within this category.

Have the resource implications been cleared by Finance?

Yes, by Ellie Tod

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?

Not applicable

Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?

Not applicable

Are there any Equality and Diversity implications?

Not applicable

Have any engagement and communication implications been cleared by Communications?

Not applicable

Are there any Localism and Local Member involvement issues?

Not applicable

Have any Public Health implications been cleared by Public Health

Not applicable

8. Source documents

8.1 The 2020-21 Business Plan, including the Capital Strategy, Capital Planning and Forecast: financial models.

8.2 Location

[Council's 2020-21 Business Plan](#)

1st Floor Octagon
Shire Hall,
Cambridge