

**SERVICE COMMITTEE REVIEW OF THE DRAFT 2019-20 CAPITAL PROGRAMME**

**To:** General Purposes Committee

**Meeting Date:** 23rd October 2018

**From:** 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 Corporate and LGSS Managed Services.

**Recommendation:** The Committee is requested to:

- a) note the overview and context provided for the 2019-20 Capital Programme for Corporate and LGSS Managed Services; and
- b) comment on the draft proposals for Corporate and LGSS Managed Services' 2019-20 Capital Programme and endorse their development.

<b><i>Officer contact:</i></b>		<b><i>Member contact:</i></b>	
Name:	Chris Malyon	Name:	Councillors Count & Hickford
Post:	Deputy Chief Executive	Post:	Chair/Vice-Chair
Email:	<a href="mailto:Chris.malyon@cambridgeshire.gov.uk">Chris.malyon@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:Steve.count@cambridgeshire.gov.uk">Steve.count@cambridgeshire.gov.uk</a> <a href="mailto:Roger.hickford@cambridgeshire.gov.uk">Roger.hickford@cambridgeshire.gov.uk</a>
Tel:	01223 699796	Tel:	01223 706398

## **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 2019-20 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 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 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.
- The Cambs 2020 project is moving forward with pace; one element of this project relates to the Shire Hall Relocation capital scheme where the Council is looking to change ways of working and move out of its current premises. However, there is still significant work to be undertaken to determine the capital investment required to enable the Hub and Spokes model to be implemented.
- King's Dyke – this scheme is due to be discussed at October Economy & Environment Committee, following which some changes may be required.

### **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 2018-19 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 have reconfirmed this decision for the 2019-20 process as part of the Capital Strategy paper, which was presented to GPC in September.

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

- 4.1 The revised draft Capital Programme is as follows:

Service Block	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Yrs £'000
People and Communities	125,757	85,319	69,229	63,802	49,560	46,291
Place and Economy	33,203	19,681	19,109	18,768	15,114	16,800
Commercial and Investment	116,503	800	800	800	800	3,200
Corporate and Managed Services	3,470	2,514	2,294	-	-	-
<b>Total</b>	<b>278,933</b>	<b>108,314</b>	<b>91,432</b>	<b>83,370</b>	<b>65,474</b>	<b>66,291</b>

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

Funding Source	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Yrs £'000
Grants	34,813	48,692	37,065	37,078	32,720	43,199
Contributions	40,298	23,179	40,071	33,355	10,872	170,870
Capital Receipts	50,293	5,098	6,493	500	500	2,000
Borrowing	112,398	33,242	21,894	14,477	21,632	-5,200
Borrowing (Repayable)*	41,131	-1,897	-14,091	-2,040	-250	-144,578
<b>Total</b>	<b>278,933</b>	<b>108,314</b>	<b>91,432</b>	<b>83,370</b>	<b>65,474</b>	<b>66,291</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	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Yrs £'000
People and Communities	-1,237	14,890	10,673	1,152	5,741	7,981	-1,268
Place and Economy	17,839	3,848	353	78	-2,563	-4,396	551
Corporate and Managed Services	-3,106	443	-459	-459	-	-	-
Commercial and Investment	39,581	37,391	12,942	-11,251	2,706	2,338	19,170
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
<b>Total</b>	<b>53,077</b>	<b>56,572</b>	<b>23,509</b>	<b>-10,480</b>	<b>5,884</b>	<b>5,923</b>	<b>18,453</b>

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Yrs £'000
New	2,641	45,005	2,073	-4,445	150	2,740	0
Removed/Ended	-9,060	-1,307	-150	-1,601	-2,800	-2,059	0
Minor Changes/Rephasing*	-1,868	3,038	31	0	557	350	-609
Increased Cost (includes rephasing)	3,677	4,325	23,963	13,452	8,665	13,258	-1,055
Reduced Cost (includes rephasing)	37,100	23,147	12,962	-11,251	2,706	-2,162	19,170
Change to other funding (includes rephasing)	1,243	278	-14,756	-3,868	-796	-2,222	0
Variation Budget	19,344	-17,914	-614	-2,767	-2,598	-4,482	947
<b>Total</b>	<b>53,077</b>	<b>56,572</b>	<b>23,509</b>	<b>-10,480</b>	<b>5,884</b>	<b>5,423</b>	<b>18,453</b>

\*This does not off-set to zero across the years because the rephasing also relates to pre-2018-19.

4.5 The revised levels of borrowing result in the following levels of financing costs:

Financing Costs	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
2018-19 agreed BP	29.0	34.7	36.7	38.5	-
2019-20 draft BP	29.8	37.0	39.5	41.1	41.1
<b>CHANGE (+) increase / (-) decrease</b>	<b>0.8</b>	<b>2.3</b>	<b>2.8</b>	<b>2.6</b>	<b>41.1</b>

4.6 The debt charges budget is 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.

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. 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
2019-20 draft BP (excluding Invest to Save / Earn schemes)	29.3	34.8	37.4	39.0	39.0	39.0
Recommend limit	37.9	38.6	39.2	39.7	40.3	40.8
<b>HEADROOM</b>	<b>-11.3</b>	<b>-8.5</b>	<b>-3.8</b>	<b>-1.8</b>	<b>-0.7</b>	<b>-1.3</b>
Recommend limit (3 years)		115.7			120.8	
<b>HEADROOM (3 years)</b>		<b>-14.1</b>			<b>-3.8</b>	

4.8 Although the limit has not 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.

## 5. OVERVIEW OF CORPORATE & LGSS MANAGED SERVICES' DRAFT CAPITAL PROGRAMME

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

Capital Expenditure	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Years £'000
Corporate and Managed Services	3,470	2,514	2,294	-	-	-

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

Funding Source	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Years £'000
Capital Receipts	2,293	2,293	2,293	-	-	-
Prudential Borrowing	1,177	221	1	-	-	-
<b>Total</b>	<b>3,470</b>	<b>2,514</b>	<b>2,294</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

5.4 The following new scheme has been added to the 2019-20 Corporate and Managed Services Business Plan:

- Children's Services IT System  
Procurement and implementation of a case management and information system for Children's Services that can be aligned with the system in use in Peterborough City Council. Capital funding for this scheme was approved by General Purposes Committee in May 2018. It is to be funded from prudential borrowing.

## 6. ALIGNMENT WITH CORPORATE PRIORITIES

### 6.1 Developing the local economy for the benefit of all

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

### 6.2 Helping people live healthy and independent lives

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

### **6.3 Supporting and protecting vulnerable people**

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 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 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

### **7.3 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.

### **7.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **7.5 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.

### **7.6 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.

## 7.7 Public Health Implications

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Officer: Tom Kelly
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	Yes Name of Officer: Paul White
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	Yes Name of Legal Officer: Debbie Carter-Hughes
<b>Are there any Equality and Diversity implications?</b>	No Name of Officer: Tom Barden
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Name of Officer: Christine Birchall
<b>Are there any Localism and Local Member involvement issues?</b>	Yes Name of Officer: Tom Barden
<b>Have any Public Health implications been cleared by Public Health</b>	Yes Name of Officer: Tess Campbell

<b>Source Documents</b>	<b>Location</b>
The 2018/19 Business Plan, including the Capital Strategy  Capital Planning and Forecast: financial models	<a href="https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans">https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans</a> >  c/o Senior Finance Business Partners 1st Floor Octagon Shire Hall Cambridge