

## Service committee review of the draft 2022-23 capital programme

To: Highways and Transport

Meeting Date: 4th November 2021

From: Steve Cox - Executive Director, Place & Economy  
Tom Kelly - Chief Finance Officer

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: To inform the Council's Business Plan for 2022-23 by presenting to Committee an overview of the draft Business Plan Capital Programme for Place & Economy and providing Members with the opportunity to comment on the draft proposals and endorse their development.

Recommendation: The Committee is asked to:

- a) Note the overview and context provided for the 2022-23 Capital Programme for Place & Economy; and
- b) Comment on the draft proposals for Place & Economy's 2022-23 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 2022-23 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 Strategy & Resources Committee (S&R) in December, after firm spending plans are considered again by Service Committees. S&R 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 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 at this stage:
  - Waterbeach Waste Treatment Facilities - this scheme has been included; however, figures are highly indicative at this stage.
  - Independent Living Services - this is moving through the committee process and has not yet been included within the plan.

- 2.3 Where the Covid-19 pandemic has had 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, any further changes to Government guidelines in response to the pandemic would also require further revision of costs/timescales, and therefore capital budgets. In addition, there have been signs of a sharp inflationary rise on construction goods due Brexit and wider supply chain issues; where the impact of this is known or can be estimated, it has been included, but further rises are anticipated.

### 3. Revenue Implications

- 3.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to any 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, S&R 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 (the current block starts in 2021-22), so long as the aggregate limit remains unchanged.
- 3.3 For the 2021-22 Business Plan, GPC (prior to the creation of S&R) 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. S&R are due to set limits for the 2022-23 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	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
People and Communities	89,313	140,378	74,080	36,418	16,296	23,688
Place and Economy	73,566	36,057	26,743	16,302	11,997	23,182
Corporate Services	12,245	2,510	2,426	1,080	800	12,800
<b>Total</b>	<b>175,124</b>	<b>178,945</b>	<b>103,249</b>	<b>53,800</b>	<b>29,093</b>	<b>59,670</b>

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

Funding Source	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
Grants	55,698	28,788	30,570	28,325	19,047	21,437
Contributions	37,582	68,846	27,318	12,420	39,749	81,990
Capital Receipts	1,348	3,343	3,349	2,000	2,000	8,000
Borrowing	65,780	83,199	49,010	11,206	2,147	14,244
Borrowing (Repayable)*	14,716	-5,231	-6,998	-151	-33,850	-66,001
<b>Total</b>	<b>175,124</b>	<b>178,945</b>	<b>103,249</b>	<b>53,800</b>	<b>29,093</b>	<b>59,670</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.

All funding sources above are off-set by an amount included in the capital variation budget, which anticipates a degree of slippage across all programmes and then applies that slippage to individual funding sources.

4.3 The following table shows how each Service's borrowing position has changed since the 2021-22 Capital Programme was set:

Service Block	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
People and Communities	-3,945	-26,983	27,081	23,501	8,004	1,529	-3,575
Place and Economy	27,914	16,530	7,758	5,170	-7	-8	7,610
Corporate Services	-29,899	-3,522	-2,999	-5,350	-180	-129	-3,224
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
<b>Total</b>	<b>-5,930</b>	<b>-13,975</b>	<b>31,840</b>	<b>23,321</b>	<b>7,817</b>	<b>1,392</b>	<b>811</b>

The significant change in P&C relates to the removal of one large secondary scheme with a £38.8m total budget – see below.

4.4 The table below categorises the reasons for these changes:

Reasons for change in borrowing	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
New	4,728	12,298	12,557	24,610	2,435	210	0
Removed/Ended	-6,327	-27,554	-7,950	-2,912	-2,125	-150	-430
Minor Changes/Rephasing*	-14,421	12,569	5,913	-2,980	730	-99	3,065
Increased Cost (includes rephasing)	-5,737	11,515	26,207	19,295	8,909	-4,525	0
Reduced Cost (includes rephasing)	-152	-893	0	0	0	0	-4,525
Change to other funding (includes rephasing)	-1,627	-17,935	1,376	-11,470	-1,977	6,123	1,402
Variation Budget	19,779	-4,207	-5,851	-3,753	-263	-310	1,407
Capitalisation of Interest	-2,173	232	-412	531	108	143	-108
<b>Total</b>	<b>-5,930</b>	<b>-13,975</b>	<b>31,840</b>	<b>23,321</b>	<b>7,817</b>	<b>1,392</b>	<b>811</b>

\*This does not off-set to zero across the years because the rephasing also relates to pre-2021-22.

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.

4.6 The above tables have been amended following previous service committees to take into account recent updates.

## 5. Overview of Place & Economy's draft capital programme

5.1 The revised draft Capital Programme for Place and Economy (P&E) is as follows:

Capital Expenditure	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Later Yrs £'000
Place & Economy	73,566	36,057	26,743	16,302	11,997	23,182

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

<b>Funding Source</b>	<b>2022-23 £'000</b>	<b>2023-24 £'000</b>	<b>2024-25 £'000</b>	<b>2025-26 £'000</b>	<b>2026-27 £'000</b>	<b>Later Yrs £'000</b>
Grants	29,831	19,042	16,231	15,207	10,878	-
Contributions	13,791	6,968	3,982	963	963	5,500
Borrowing	29,944	10,047	6,530	132	156	17,682
<b>Total</b>	<b>73,566</b>	<b>36,057</b>	<b>26,743</b>	<b>16,302</b>	<b>11,997</b>	<b>23,182</b>

5.3 The full list of P&E 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 rephasing, re-costing, and revised funding are highlighted below.

## 5.6 Operating the Network Schemes

5.6.1 This area is funded by Local Transport Plan grant funding from the Department for Transport (DfT). The assumption is made that funding that now goes via the Combined Authority will now be passported across to Cambridgeshire. In 2022-23, there was a 20% reduction in the level of this grant and other DfT grant funding was used to bridge the shortfall, so that planned schemes could be taken forward. An assumption has been made that the grant will again be 20% lower than previous years and schemes are currently shown at this reduced level on a priority basis, however if this is exceeded some levelling out can be achieved. We are unlikely to know the level of this grant until February 2022.

## 5.7 Pothole Funding

5.7. An assumption has been made that this grant will be made again in 2022-23 and the estimate currently assumed maintains the support to ensure the budget for pothole repairs and funding of the Footpaths and Pavements schemes is at the same level as the 2021/22 budget. This is based on a statement issued by the DfT that this funding is likely to continue to 2024/25 although the actual level of the grant will not be known until February 2022.

## 5.8 Wheatsheaf Crossroads

5.8.1 New scheme – Traffic signal safety scheme at B1040/Bluntisham Heath Road/Wheatsheaf Road. The location has been identified as a significant accident cluster site in the county. Following an options appraisal for solutions, on the 7 September 2021 the Highways and Transport committee voted to progress with the delivery of a traffic signals scheme as part of the 2021/22 Road Safety programme.

5.82 A Milestone/Capita options assessment report provided a high-level risked cost estimate of £4.92m for the project in Summer 2021. These costs were re-examined following committee by the Project Delivery service who identified that some of the costing appeared low including the allowance of only £100,000 for Virgin Media diversion work. Project Delivery advised this cost should be increased to £1.4m to cover the risks associated with moving fibre optic cables leading to a total project cost estimate of £6.795m. There is a £500k CIL allocation via Huntingdonshire District Council and discussions remain ongoing with HDC in that regard. Other external funding sources will be sought. It should be noted that the project is very early in its design maturity, accordingly the project costs include considerable sums for optimism bias, contingency and risk. It is expected that when the project goes through the project gateway cycle including the detailed design stage and negotiations over land acquisition over the coming year, that these risks and costs can be reduced, which may reduce the overall project cost significantly.

## 5.9 St Neots Future High Street Fund

5.9.1 New scheme - The project is promoted by Huntingdonshire District Council who secured funding to undertake the design and construction of the project. The project consists of three separate sub-projects all contributing to the project objectives which includes improving public interaction with the town centre and creating more inviting spaces for people to enjoy. Rejuvenating the High Street, re-establishing the Market Square as a public space and improving connectivity across the river are the three key objectives. The objectives tie in with the incentives to renew and reshape town centres in a way that drives growth, improves experience and ensures future sustainability.

5.9.2 The project budget is £8.522m for all three projects which includes all aspect for the project delivery, preliminary and detailed design, investigation work, procurement, construction, handover and staff cost. HDC have a Highways England bid currently being assessed for £3m of funding which is expected in Autumn 2021. The £3m HE funding is not required for the project to proceed, but if successful will allow the scope to be widened and higher grade materials to be used. All three projects need to be completed by March 2024 to meet grant funding criteria, with the HE funding pot to be spent by March 2025 should the £3m be granted.

5.9.3 The County will be a delivery agent for the project, undertaking the project management activities and will be responsible for taking the project through design, construction and finally handover to the Project Sponsors. The programme, costs and project risks will be owned by the Project Sponsors and will be managed through monthly Project Board meetings, and other meetings as needed. A monthly progress report will be submitted to Project Board and discussed in the Project Board meeting. This document will typically hold the programme, budget, risks, key decisions/actions and items for escalation, works achieved to date and upcoming activities. HDC will lead on stakeholder engagement prior to and during the project, which includes members, residents, business owner engagement and key stakeholder groups.

## 5.10 March Future High Street Fund

5.10.1 New scheme - The project is promoted by Fenland District Council who secured funding to undertake the design and construction of the project. The project consists of three separate

sub-projects, being Broad Street, The Riverside and Market Square which all contribute to the project objectives which includes improving public interaction with the town centre and creating more inviting spaces for people to enjoy. Public realm initiatives, market stall and festivity areas, and reduced traffic is centre to these objectives, creating a sense of arrival, appose to a through fair for traffic.

5.10.2 The project budget is circa £6.1m for all three projects which includes all aspect for the project delivery, prelim and detailed design, investigation work, procurement, construction, handover and staff cost. All three projects need to be completed by March 2024 to meet grant funding criteria.

5.10.3 The County will be a delivery agent for the project, undertaking the project management activities and will be responsible for taking the project through design, construction and finally handover to the Project Sponsors. The programme, costs and project risks will be owned by the Project Sponsors and will be managed through monthly Project Board meetings, and other meetings as needed. A monthly progress report will be submitted to Project Board and discussed in the Project Board meeting. This document will typically hold the programme, budget, risks, key decisions/actions and items for escalation, works achieved to date and upcoming activities. FDC will lead on stakeholder engagement prior to and during the project, which includes members, residents, business owner engagement and key stakeholder groups.

## 6. Alignment with corporate priorities

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities, whilst also responding to the changing challenges of the pandemic. As proposals are developed, they will consider the corporate priorities:

- 6.1 Communities at the heart of everything we do
- 6.2 A good quality of life for everyone
- 6.3 Helping our children learn, develop and live life to the full
- 6.4 Cambridgeshire: a well-connected, safe, clean, green environment
- 6.5 Protecting and caring for those who need us

## 7. Significant Implications

### 7.1 Resource Implications

The full detail of the financial proposals and impact on budget will be described in the financial tables of the business plan. The proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

### 7.2 Procurement/Contractual/Council Contract Procedure Rules Implications



There are no significant implications for the proposals set out in this report.

### 7.3 Statutory, Legal and Risk Implications

The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our citizens.

### 7.4 Equality and Diversity Implications

As the proposals are developed ready for December service committees, they will include, where required, Equality Impact Assessments that will describe the impact of each proposal, in particular any disproportionate impact on vulnerable, minority and protected groups.

### 7.5 Engagement and Communications Implications

Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to Strategy and Resources Committee.

### 7.6 Localism and Local Member Involvement

As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

### 7.7 Public Health Implications

We are working closely with Public Health colleagues as part of the operating model to ensure our emerging Business Planning proposals are aligned.

### 7.8 Environment and Climate Change Implications on Priority Areas

The climate and environment implications will vary depending on the detail of each of the proposals which will be coming to committee later for individual approvals (currently scheduled for November / December committees). The implications will be completed accordingly at that stage.

## 8. Source documents

### 8.1 Source documents

The 2021/22 Business Plan, including the Capital Strategy Capital Planning and Forecast: financial models.

### 8.2 Location

[Business Plans](#)