

Capital Strategy

2025-34

Business Plan Section 6



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1. Executive Summary

The council's strategic financial plan is comprised of three distinct, but interdependent, strategies set out within this Business Plan:

- Medium-Term Financial Strategy (MTFS) (section 2)
- Capital Strategy (section 6)
- Treasury Management Strategy (section 7)

This strategy, the Capital Strategy, describes how the council's investment of capital resources over the next ten years will optimise the ability of the council to achieve its strategic vision and ambitions outlined within the council's strategic framework. The Strategy is concerned with all aspects of the council's capital expenditure programme: planning; prioritisation; management; and funding, and is updated each year as part of the business planning process.

The council achieves its vision to "Create a greener, fairer and more caring Cambridgeshire" through delivery of its Business Plan, which targets seven ambitions. To enable delivery of the plan, the council needs to undertake capital investment. This includes investment in new schools and in modernising school buildings, regeneration and improvement of the county's transport infrastructure, and tackling the council's ambitious net-zero target towards 2045.

“ Create a **greener, fairer** and more **caring** Cambridgeshire ”

It is crucial that when long-term investment decisions are undertaken, decision-makers can rely on clear and informed information. This includes:

- A long-term view of capital expenditure plans and any financial risks to which the council is exposed.
- Ensuring due regard to the long-term financing affordability implications and potential risks.
- A clear overview of the council's asset management planning arrangements and any maintenance requirements that have resource and business planning implications.

The council's 2025-26 ten-year capital programme, based on funding known at this point, is summarised by service as follows:

	Prev Years £000	2025- 26 £000	2026- 27 £000	2027- 28 £000	2028- 29 £000	2029- 30 £000	Later Yrs £000	Total £000
Children, Education and Families	168,424	44,495	85,083	40,072	16,076	9,644	11,487	375,281
Adults, Health and Commissioning	462	8,544	19,857	18,683	15,451	15,653	29,650	108,300
Place and Sustainability	153,188	73,215	58,486	20,949	19,367	1,592	12,460	339,257
Finance and Resources	13,813	11,768	6,874	3,411	3,432	2,643	9,288	51,229
Strategy and Partnerships	4,753	2,164	170	30	-	-	-	7,117
Total spend	340,640	140,186	170,470	83,145	54,326	29,532	62,885	881,184

This is due to be funded as follows:

	Prev Years £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	Later Yrs £000	Total £000
Grants	77,716	61,540	42,029	29,278	27,828	8,346	30,110	276,847
Contributions	80,717	24,125	70,186	58,032	50,432	7,072	8,839	299,403
Capital Receipts	-	3,952	10,000	8,000	6,000	3,000	10,000	40,952
Prudential Borrowing	181,651	56,196	73,659	24,382	19,235	12,555	15,751	383,429
Prudential Borrowing (repayable)	556	-5,627	-25,404	-36,547	-49,169	-1,441	-1,815	-119,447
Total funding	340,640	140,186	170,470	83,145	54,326	29,532	62,885	881,184

Please see the following sections for further detail.

2. Strategic context

The development of this Strategy, along with the council's other core strategies and plans, is informed by the current and longer-term strategic context, as set out in the strategic framework.

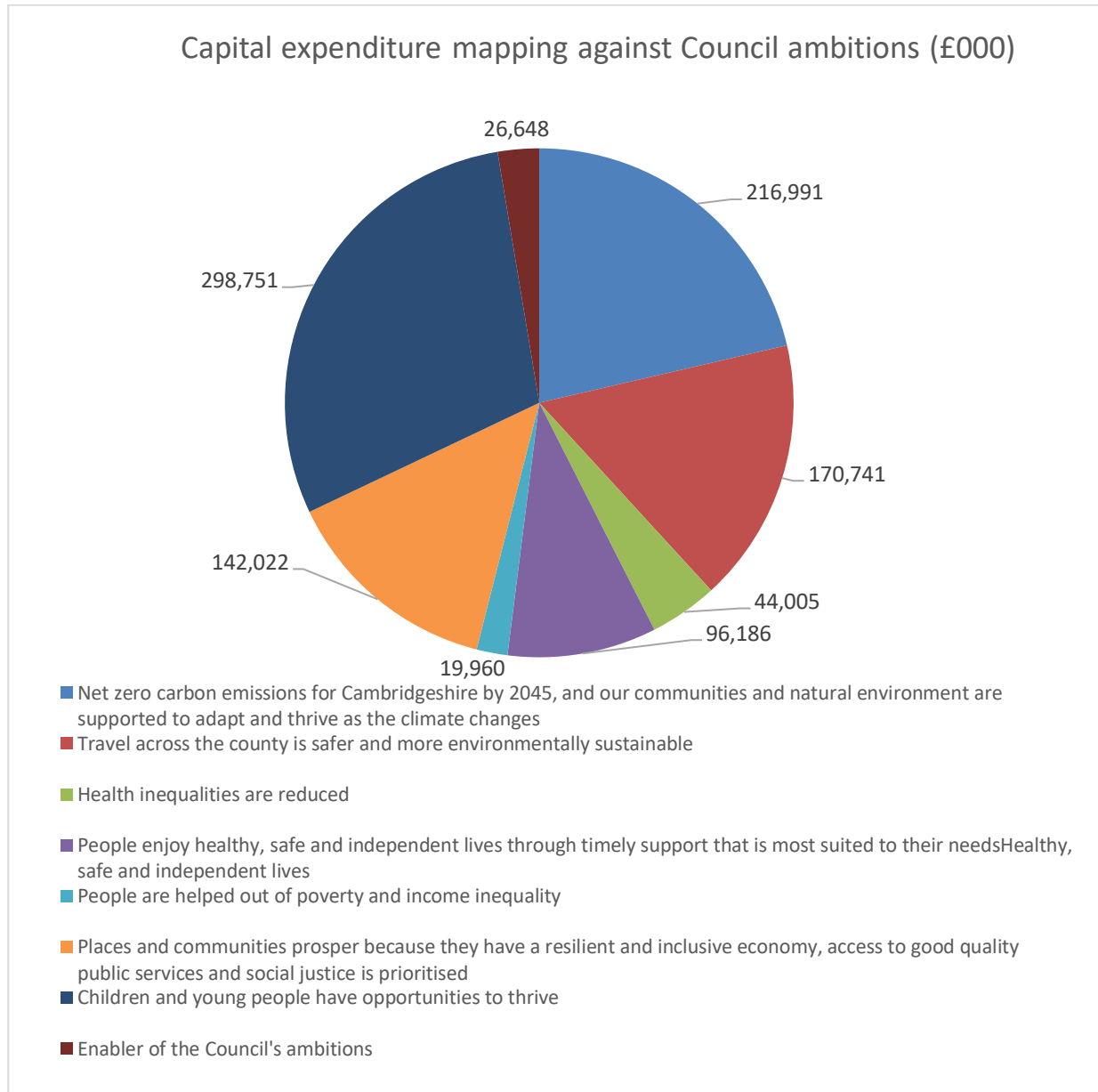
Cambridgeshire is a fast-growing place. In 2021, approximately 679,000 people lived in Cambridgeshire, one of the fastest growing populations over the last decade. Cambridge City was the second highest growing local authority in the East of England, mainly concentrated in younger adults, while our rural districts are seeing higher growth in over 65s. We expect population growth to continue through the next decade, particularly for our older age groups. Cambridgeshire also has areas of deprivation, including 16 neighbourhoods in the 20% most relatively deprived nationally. Around 8,300 adults receive long-term social care, either partially or fully funded by the council, and there has been a 71% increase since January 2020 in the number of children supported with Education, Health and Care Plans, taking the number to over 8,000 children.

The council's change strategy (Our Future Council) was agreed by the council in October 2024, and sets out the council's high-level vision and an approach to transforming the way it operates, explaining how the council understands the context in which it operates, expected future developments, and the way it intends to adapt and innovate to mitigate risks and exploit opportunities. Parts of the work through this strategy will involve capital expenditure, particularly the portfolio that will cover the council's assets.

The Climate Change and Environment Strategy sets out the council's ambition for tackling the climate and biodiversity emergencies. The carbon footprint for Cambridgeshire in 2022 was 6.45m tonnes of carbon dioxide equivalent (CO₂e) emissions; for this council in 2023-24 it was 103,255 tonnes, including indirect ("scope 3") emissions. These figures are decreasing, especially for the council's emissions, however we must work over the coming years to reduce both the council's and the country's carbon footprint further, with targets for these to be net zero by 2030 (for the council's scopes 1 and 2 emissions) and by 2045 (for the county).

3. Capital Prioritisation Mapping

The council’s prioritisation of its capital programme can be mapped to the council’s key ambitions as follows:



A more detailed review of the capital programme is provided in part 5d.

4. Future Years Strategy Development

The Capital Strategy undergoes continuous development as part of a process of continuous improvement to support members in their decision making.

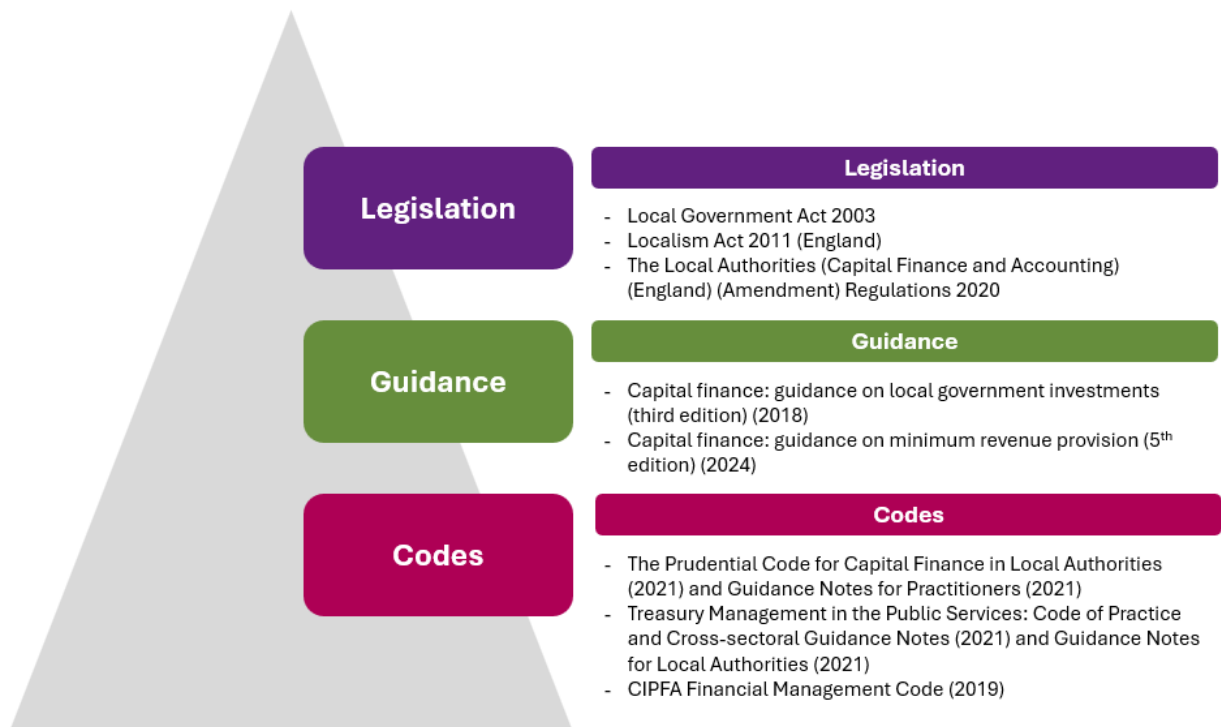
Future identified activity includes:

- Further development of the long-term (20-to-30-years) approach to the Capital Strategy, aligned to our longer-term corporate strategies.
- Assessment of asset management planning to inform decision making and risk, in particular to climate change impacts, as part of the development of the new Land and Property Strategy 2024-29.
- Alignment of the Council's Asset Change Programme
- Consideration of Cambridgeshire's growth strategy to meet the national industrial strategy
- Any upcoming changes to statutory guidance.
- Continuing development of the use of carbon emissions modelling and assessment within investment decisions across all schemes.

5. Detailed Strategy

5a. Statutory Framework

Local government capital finance is governed and operates under the Prudential Framework in England, Wales, and Scotland. The Prudential Framework is an umbrella term for several statutory provisions and professional requirements that allow authorities largely to determine their own plans for capital investment, subject to an authority following due process in agreeing these plans and being able to provide assurance that they are prudent and affordable. The relevant legislation, guidance and codes are set out as follows:



5b. Working with partners

The council is committed to developing strong and positive partnerships that not only enhance the investment potential of the council through opportunities for support and contributions from third parties but enable delivery of the council’s Corporate Priorities. Partnership working enables the council to leverage a larger package of investment that extends beyond our investment potential as an individual organisation.

There are a range of capital schemes currently being delivered in conjunction with partners and our commitment to social and environmental values further demonstrate our aspiration to work with the public and private sector to deliver better outcomes for people, the environment, and communities. The following summarises some of the council’s key partnerships.

Cambridgeshire and Peterborough Combined Authority (CPCA)

The CPCA, led by the Mayor and representatives from the seven constituent councils, was created in 2017 to deliver the region's devolution deal. The CPCA works with the Business Board and other local partners to deliver strategic projects. Key ambitions for the Combined Authority include:

- doubling the size of the local economy
- delivering outstanding and much needed connectivity in terms of transport and digital links
- providing the UK's most technically skilled workforce
- growing international recognition for our knowledge-based economy
- improving the quality of life by tackling areas suffering from deprivation.

The Mayor and Combined Authority has a role to play in enabling carbon reduction and adaptation to climate change; therefore, the CPCAs activities and policies are informed by an ambition to tackle climate change.

As the Strategic Transport Authority for the region, the CPCA receives funding and powers from central government, which the Mayor and the Combined Authority Board oversee, and it sets out strategies and plans for delivering its ambitions. As the Local Highway Authority, it is expected that CCC will deliver much of the capital work commissioned by the CPCA within Cambridgeshire, and several schemes form part of our capital programme.

Greater Cambridge Partnership

The Greater Cambridge Partnership is the local delivery body for a City Deal with central government, bringing powers and investment, worth up to £500 million over 15 years, to vital improvements in infrastructure, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships.

It is the largest of several City Deal programmes agreed by central government in 2014 and brings key partners together to work with communities, businesses, and industry leaders to support the continued growth of one of the world's leading tourism and business destinations. The five partners are:

- Cambridge City Council
- Cambridgeshire County Council
- South Cambridgeshire District Council
- University of Cambridge
- The business community – Nomination via the CPCA Business Board

The Executive Board is made up of members from the five partners.

In 2015, £100m of government funding was made available for transport improvements until 2020. Following successful completion of the Gateway Review in May 2020, an extra £200 million funding was made available up to 2025. The next Gateway Review process is underway and if successful a further £200m of funding will be unlocked.

It is important to ensure that the strategic infrastructure scoped and delivered through the City Deal reduces carbon emissions through designing out carbon emissions where it can from the construction and operation of any new assets as well as a strategic goal of the infrastructure itself. The GCP is refreshing its forward plan, alongside the council, particularly reviewing the approach to bridge funding where developer contributions will take several years to be received.

Connecting Cambridgeshire

The Connecting Cambridgeshire programme is improving Cambridgeshire and Peterborough's digital connectivity to drive economic growth, help our businesses and communities to thrive and make it easier to access public services. The project is hosted by Cambridgeshire County Council and led by the CPCA, working with government bodies, local councils, and external organisations, including telecoms suppliers and mobile operators.

Together with £3m from PCC and £8.75m government funding, the council's initial outlay of £20m in 2011 has since been used to leverage over £60m of direct funding, from external public and private sector sources, including £7.5m from the CPCA to extend the programme to improve mobile and public access Wi-fi, as well as fibre broadband. In addition, the council has received over £7m of gainshare clawback from the original superfast broadband contract. The broadband rollout has now brought superfast access to over 98.5% of premises, and gigabit capable broadband coverage of over 88%, already exceeding the government target of 85% by 2025.

The Connecting Cambridgeshire [Digital Connectivity Strategy 2021-2025](#) gives an overview of work underway to significantly improve broadband, mobile and public access Wi-fi coverage across the region by 2025. The strategy for the period 2021-2025 builds on the foundations of the existing programme, incorporating multiple workstreams, targeting the different aspects of digital connectivity from broadband, mobile, 'Smart' technology, and public access Wi-Fi to ensure that Cambridgeshire and Peterborough are well positioned to take full advantage of current and emerging technological advances. A [new strategy for 2025-2029](#) has been approved by the Combined Authority.

This Land

This Land Limited was established as a wholly owned company of the council in 2016 in order to enable development of land for housing. The company aims to develop the land it has acquired, predominantly from the council, to provide individual, high-quality homes and new communities that are in much demand across Cambridgeshire and the surrounding counties in the East of England. As of November 2024, the council had issued long-term loans of £117.851m to This Land, for which it receives a revenue return by way of interest payments, and equity of £5.851m. In 2021 the council undertook a shareholder review of This Land, which identified risks and recommendations, and this was followed up by a detailed review of the company's business plan by an external specialist commissioned by the council. The company is refreshing its business plan for 2025-26 and beyond, and the council continues to exercise its governance and oversight responsibilities.

Light Blue Fibre

Light Blue Fibre Limited, one of the first of its kind in the UK, is a joint venture between the University of Cambridge and Cambridgeshire County Council, making both organisations' existing extensive duct and fibre networks, together with any developed in the future, commercially available. Since its formal establishment in late 2019 to support the council's work to expand the county's fibre network, Light Blue Fibre has now completed its fourth year of trading. The company is performing both operationally and commercially ahead of its business plan. The existing joint venture assets, plus the council's "dig-once" policy of installing fibre ducts in new transport schemes and then making them available to telecom providers via Light Blue Fibre, allows operators to avoid costly retrofitting and minimises disruption to highways users, together with reducing carbon emissions (approximately 20 tonnes CO₂ to date).

One Public Estate (OPE)

OPE is an established national programme delivered in partnership by the Office of Government Property (OGP) within the Cabinet Office and the Local Government Association (LGA). It provides practical and technical support and funding to councils to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners.

Cambridgeshire's OPE group allows partners, including the district councils, health partners and the emergency services, to effectively collaborate on strategic asset management and rationalise the combined operational property estate within the county. The programme has secured up to £4.3m in funding so far to bring forward major projects for joint asset rationalisation and land release. OPE projects that have/are being delivered in conjunction with OPE partners include:

- Huntingdonshire District Council - Oaktree Health Centre, Oxmoor Estate
- Huntingdonshire District Council and Department of Work and Pensions - Pathfinder House, Jobcentre Plus
- Cambridgeshire Community Services - Ely Princess of Wales Hospital redevelopment, Wisbech North Cambridge Hospital redevelopment
- Cambridgeshire County Council - Joint Highways Depot move (from Whittlesford to Swavesey A14)
- Cambridgeshire Community / Cambridgeshire County Council - Ely Care Home (at Ely Princess of Wales)
- Peterborough City Council - Peterborough Middleholme (Brownfield Land Release Fund), Peterborough EcoHomes
- Fenland District Council - Fenland Nene Waterfront (Brownfield Land Release Fund)
- Cambridgeshire Community Services / Cambridge City Council - Brookfields / Seymour St
- Fenland District Council / Cambridgeshire and Peterborough NHS Foundation Trust - Cambridgeshire Public Sector Accommodation review including NHS

- ICS and NHS Neighbourhood Hubs Alconbury
- Cambridge City Council - Aylesborough Close Phase 2, Cambridge, East Barnwell Site 2 Regeneration

Community Infrastructure Levy (CIL)

The council also works closely with the city and district councils on the creation of new infrastructure needed as a result of development. Currently, CIL is operating in Huntingdonshire District Council and East Cambridgeshire District Council only. CIL is at the discretion of the Local Planning Authority i.e., the city and district councils, who are responsible for setting the levy and have the final decision on how the funds are spent. However, as the county council has responsibility for the provision of much of the infrastructure resulting from development, it is imperative that it is involved in the CIL governance arrangements of the city and district councils, and that it works closely with these authorities to ensure that it is able to influence investment decisions that affect the council's services.

Local Area Energy Planning

Approximately 45% of Cambridgeshire's carbon emissions are associated with energy. Clean energy is essential for powering buildings, warming homes, transport, digital connectivity, distribution of water and supporting businesses. To achieve net zero by 2045, the energy system across Cambridgeshire must change. Communities will need to be actively participating in the energy system to gain benefits managing their bills. Businesses will also need to actively engage in the energy system changes to grow and thrive. Local Area Energy Planning is a whole system approach, led by local government, with key stakeholders. It identifies the most cost-effective masterplan and pathways for the local area to achieve local and national net zero targets. Importantly, it identifies the capital programmes and scale of investment that needs to be delivered. There are three strands:

- Place making – to achieve low carbon, oil and gas infrastructure must shift to greater levels of 'electricity infrastructure'. Clean electricity generation and distribution will be the dominant infrastructure for heating and lighting buildings and transport for cars and light vans – or hydrogen for heavy transport. The council therefore has a role in infrastructure planning and delivery.
- Green Investment – the council can use its land and buildings assets, in line with our Land and Property strategy, to facilitate green projects that support the implementation of the Local Area Energy Masterplan e.g., buildings and land can generate electricity or clean heat, battery storage can support the local grid; highways can support electric vehicle charging and the council can participate in other green projects as an anchor tenant to support green project business cases. The council can invest in energy projects for carbon reductions and carbon removals and potentially benefit financially from this too.
- Economic development - investing in local energy projects provides jobs and services locally and benefits our local economy. Without secure and resilient energy supplies our economy cannot compete and thrive. Investing in our local energy economy through skills development, supporting local business to build their capabilities, attracting inward investment and actively supporting market demand.

The council is working with other Cambridgeshire local authorities and the CPCA to deliver Local Area Energy Planning and to have a masterplan and pathways in place during 2025. The Local Area Energy Plan will inform business plans for distribution and transmission network operators and their business plan submissions to the regulator.

Large Energy Projects

To support Cambridgeshire to get to net zero by 2045, the council has invested in building its capabilities and learning through developing and constructing energy projects. This investment has built organisational skills and knowledge of the energy system and the changes needed to achieve this. A number of large energy projects are either constructed or being finalised. Some are built as local demonstrator projects; visible assets, that everyone can identify with and learn from. As the council's Land and Property Strategy and the Local Area Energy Plan come forward, a new programme of energy projects will be scoped to support their delivery, building on the learning to date and the ambitions to achieve net zero, whilst also benefiting from the energy system changes.

To support this delivery, in early 2021, the council entered into contract with Equans (formerly Bouygues Energies and Services Ltd) and SSE Energy Solutions for design and delivery of clean energy projects to benefit the council financially, cut energy consumption and reduce carbon emissions. The Framework, led by Equans, includes strategic partners such as UK Power Networks consulting, Envision Digital, Element Energy, Cambridge Cleantech and Cambridge University Leadership in Sustainability, providing insight on the market and technological innovations. This procurement brings the engineering design skills, capabilities and capacities required for a wide range of energy projects including heat networks, building retrofits, electric vehicle charging, smart energy grids and solar farms. The Framework is available to other public bodies via Access Agreements, with the potential to generate revenue in access fees for the council and its local authority partners, if projects progress to completion.

The council is also building up its support for communities to engage in energy projects, improve energy efficiency, generate local renewables and benefit from bill savings. In 2018, the Swaffham Prior Community Land Trust approached the council to collaborate on their energy ambitions for the community. The government joined this collaboration to find solutions for rural communities where business cases and investment are more challenging to decarbonise homes.

5c. Internal Influences

As well as the council's Corporate Strategy, the Capital Strategy has clear links to many other strategies, policies, and plans. The most significant of those strategies and their influence are detailed below.

Strategy	Influence
Strategic Framework	Ensures the council's plans are driven by the shared vision to create a greener, fairer, and more caring Cambridgeshire and focuses on achieving a number of outcomes for the people of Cambridgeshire.
Medium Term Financial Strategy	Sets out the financial picture facing the council over the next five years, the resources available to the council, and the council's strategy for managing its resources effectively.
Land and Property Strategy	Provides a framework to enable the safe, effective, efficient, and environmentally sustainable management of a portfolio of assets. The strategy and its associated delivery policies provide us with a structured approach to respond to service needs and priorities.
Our Future Council – change strategy	Sets out the council's approach to transforming the way the council operates, expected future developments and the way in which it intends to adapt and innovate to mitigate risks and exploit opportunities.
Flexible Use of Capital Receipts Strategy	Sets out how the council will use the Flexible Use of Capital Receipts direction on transformational activity that reduces costs or demand for services. This is section 5fii of this document.
Treasury Management Strategy	Establishes the framework for the effective and efficient management of the council's treasury management activity, including the council's borrowing and investment portfolio, within legislative, regulatory, and best practice regimes. The Strategy balances risk against reward in the best interests of stewardship of the public purse.
Investment Strategy	In addition to a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, it provides an overview of how the associated risk of financial and non-financial investments is managed and the implications for future financial sustainability.
Land and Property Strategy	Provides a framework to enable the safe, effective, efficient, and environmentally sustainable management of a portfolio of assets. The strategy and its associated delivery policies provide us with a structured approach to respond to service needs and priorities.

Strategy	Influence
People Strategy	The four People Strategy themes describe how it will look and feel working for the council in 2028. The themes develop a series of people outcomes and commitments that will help us to achieve our corporate ambitions.
Adult Social Care accommodation needs across all care types	Sets out Cambridgeshire's long term commissioning intentions for accommodation for all care types across adult social care to ensure sufficient, affordable, and quality accommodation is available to meet demand up to 2036.
Education Organisation Plan	Sets out the strategic direction on education based on the council's statutory duties regarding the sufficiency, diversity, and planning of places for early years, school- aged children (including special schools) and post-16 education and training provision.
SEND Transformation Programme	The programme seeks to review all aspects of services funded from the High Needs Block (HNB) of the dedicated schools grant, the element of funding allocated to support special needs, ensuring we deliver the same or better outcomes using the resources we have available. Capital investment in alternative provision is a key component of this programme.
Transport Project Proposals Database	Sets out the transport infrastructure, services and initiatives that are required to support the growth of Cambridgeshire.
Transport Delivery Plan	Provides forward visibility of all the planned highway and transport capital schemes on the local network that are in all probability going to be delivered within the 3-year timeframe.
Planning Obligations Strategy	Sets out the council's approach to securing developer contributions. Forms the principles for the advice which officers provide, including details about the service areas for which we may seek planning obligations. This will need to be reviewed against the impending regulations introducing the Infrastructure Levy following the Levelling Up Act in relation to the use of securing developer contributions and the possible limitations on the use of s106 agreements to fund infrastructure.
Climate Change and Environment Strategy 2022	Sets out the council's ambitious plans to reduce our own and the county's carbon footprint, and to support others in their efforts, to adapt to the changing climate and support and enhance nature.

Strategy	Influence
Commercial Commissioning and Procurement Framework	Sets out how procurement activity will be undertaken, supporting the delivery of the council's ambitions and the national priority outcomes in a way which is sustainable – our actions today will only have positive effects for those generations living in the Cambridgeshire of the future. Category Strategies, the Social Value Policy and other procurement related plans and policies take their lead from this Strategy.

Strategy	Influence
IT and Digital Strategy	Articulates how staff can work effectively with colleagues across the council to deliver more effective services to our citizens. Staff need access to secure, accessible, and modern IT systems that support this vision. These systems should enable easy and robust sharing with collaboration tools, delivered on a cost-effective basis, minimising duplicate costs for equipment and licenses. This approach aligns with our strategic vision of creating a sustainable 21st century council through secure, accessible, and customer-focused digital services

Commercial Commissioning and Procurement Framework

Procurement activity at the council is subject to the council's Commercial Commissioning and Procurement Framework which provides detailed guidance on managing priorities to improve its commercial, commissioning, procurement and contract management practices. There is a focus on sustainability, recognising the risk that inaction on climate and biodiversity will create to our economy and social fabric; it will have the most positive environmental, social, and economic impacts on a whole life basis.

The council's procurement activity will be based on the following commercial themes:

- Skills, Knowledge and Development
- Risks Management and Controls
- Strategic Commissioning and Sourcing
- Stakeholder Relationship Management
- Strategic & Sustainable Procurement
- Contract Management
- Working in Partnership

There is a golden thread that runs through procurement activity at the council. The thread links together:

- Regulation

- Contract Procedure Rules
- Procurement Guidance and standard documentation
- Delivery of operational procurement activity

The key priorities of the Strategy are:

- The council will support the growth of local businesses and the third sector by making procurement spend more accessible.
- The council will increase the levels of social value delivered by our suppliers.
- The council will contribute to the council's net zero targets.
- The council will deliver best value outcomes through procurement activity.
- The council will ensure that our procurement processes are robust, transparent, non-discriminatory, and compliant.

Land and Property Strategy

The council's Capital Strategy inevitably has strong links to the council's Land and Property Strategy 2024-2029, which provides detail on the framework for operational asset management, based on the following guiding principles:

- Suitable and effective, ensuring our assets are fit for purpose, right sized, safe and complaint and efficiently used.
- Place shaping, utilising our land and built assets to drive regeneration and development within our communities.
- Sustainable and greener, shaping our county for present and future generations and ensuring our land and built assets provide long-term support for the benefit to the natural environment.
- Working closer with communities and partners, ensuring our land and built assets are retained to create and enable strong and resilient communities and thriving partnerships.

Investment Strategy (Non-financial)

Part of the council's approach of dealing with the twinned pressures of reduced central government funding and growing demand for services has been to deliver better financial returns from property and asset holdings.

CIPFA's Prudential and Treasury Management Codes 2021 require all local authorities to prepare an investment strategy, covering both financial and non-financial assets. The Investment Strategy for financial assets is included within the Treasury Management Strategy; for non-financial assets, it is included here and should provide (in addition to a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services):

- An overview of how the associated risk of non-financial investments is managed.
- The implications for future financial sustainability.

Any commercial acquisition carries with it a degree of risk and as this involves the investment of public funds, the rationale for engaging in such activity should be clear. As with the rest of the Capital Strategy, all investment activity has been undertaken in line with the council's vision of 'creating a greener, fairer and more caring Cambridgeshire'.

However, changes to the Public Works Loan Board (PWLB) rules and CIPFA's Prudential Code mean that the council is not looking to invest further in new commercial property acquisitions beyond the current portfolio over the medium-term. The council complies with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement to not borrow to invest primarily for financial return.

Whilst no further investment is anticipated, the council does now hold a commercial property portfolio, and as such, still needs to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure. There are inherent risks associated with commercial activity (for further detail see part 5h) and as such the council has taken a measured risk approach towards supporting a proportion of its core activity with commercial income.

The table below shows the forecast levels of commercial and service income as a percentage of net service expenditure, demonstrating that the council could manage to absorb any plausible losses within budget or reserves, without unmanageable detriment to local services.

	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Net Income from commercial and services investments to net service expenditure*	4.6%	3.9%	3.5%	3.2%	2.8%

** Income here includes both financial and non-financial income, but excludes income from investments held for Treasury Management purposes*

As part of this Capital Strategy, the council sets a debt charges limit during the business planning process as a mechanism to ensure that the council does not overcommit its revenue resources to servicing debt. This can also be reviewed in terms of debt as a proportion of net service expenditure; for details on this see part 5f. However, it should be noted that the majority of these financing costs do not relate to borrowing incurred for commercial investment, but rather to necessary borrowing required to support the council's service capital programme.

There may be a need in the future to dispose of property investments. This could occur because of the need to return the investment to cash for other purposes, poor financial performance of a particular property, or poor environmental and energy performance, for example. Whilst it is expected that the majority of investments will be held for the medium to long-term in order to achieve the required return and to justify the cost of the acquisition, it is important to understand the opportunities to dispose of any investment.

Therefore, as part of the investment decision and ongoing management of the portfolio, consideration has been given to the potential ways in which the council could

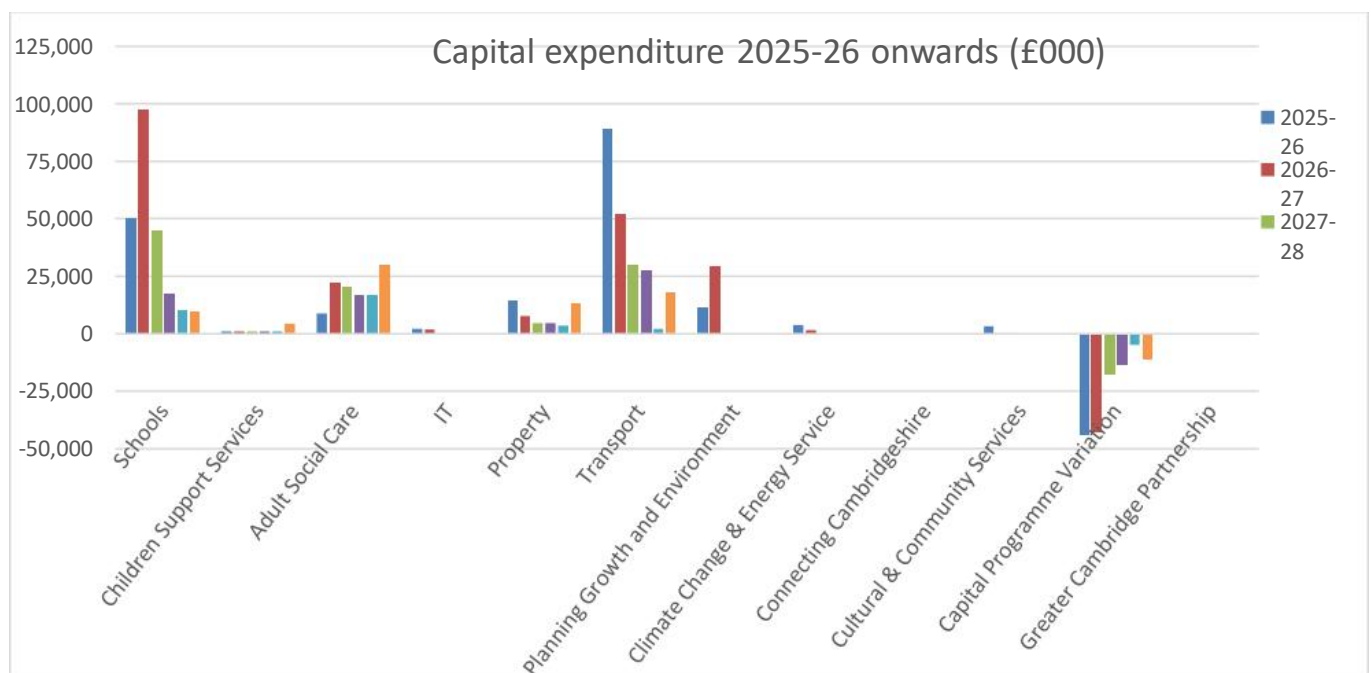
“exit” from the investment, such as sale to another investor, sale for redevelopment, etc. These exit strategies are detailed in the current investment portfolio summary in Appendix 1 of this Strategy.

Active monitoring of the performance of individual properties within the portfolio is undertaken jointly across the property and finance teams. If any underperformance is identified, the teams develop action plans to determine how to mitigate any increase in risk or threat to ongoing security, liquidity, and yield.

Whilst all capital schemes are expected to contribute to delivery of the council’s ambitions, there are some schemes that are also expected to reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme’s borrowing requirement. These schemes are called Invest to Save or Invest to Earn schemes and will be self-funded in the medium-term.

5d. Capital Investment Plan

Including an estimated previous spend of £340.6m on active schemes, the total value of the 2025-26 capital programme is £881.2m. The following chart and tables provide the areas of spend from 2025-26 onwards; the categories of most significant capital expenditure for the council are schools and transport.



Schools

Capital Scheme Category	£m	Description
Basic Need	184.7	The population of Cambridgeshire is growing; therefore, additional school places are required. This covers early years, primary and secondary education for both maintained and academy schools, as the council retains the statutory duty to provide school places.
Adaptions	2.0	Covers rebuilds after major incidents such as fire or flooding, adaptions to bring older buildings up to date in line with the Department of Education Building Bulletin guidance, and work to address long-standing suitability and condition issues.
Condition & Maintenance	16.6	Addresses significant condition and statutory compliance issues identified in maintained schools' asset management plans, ensuring places are sustainable and safe. This funding is used alongside government grants and loans to fund low-carbon heating solutions in some schools where oil or gas boilers require replacement.
Schools' Managed Capital	6.2	This funding is allocated directly to maintained schools to enable them to undertake low-level refurbishments, minor condition and maintenance works, and purchase equipment such as IT.
Specialist Provision	14.2	Covers both basic need provision for Special Educational Need and Disability (SEND) places, as well as adaptions to facilitate placement of children with SEND in mainstream schools in line with decisions taken by the County Resourcing Panel.

Capital Scheme Category	£m	Description
Temporary Classrooms and Premises	5.8	<p>Enables the council to increase the number of school places provided using mobile accommodation. This could be related to temporary increases in pupil numbers that do not require long-term resolution or could be a short-term solution whilst a longer-term resolution is identified and developed.</p> <p>There may also be a need to provide mobiles for shorter periods to cover loss of accommodation in the event of an emergency e.g., flooding incidents, storm damage, etc.</p>

Transport

Capital Scheme Category	£m	Description
Integrated Transport	39.4	Covers local infrastructure improvements regarding accessibility, road safety engineering work, new cycle route provision and the council's contribution to the National Highways A14 upgrade scheme.
Operating the Network	44.2	Carriageway and footway maintenance, improvements to the Rights of Way network, bridge strengthening and traffic signal replacement. It also supports provision of the Integrated Highways Management Centre and Real Time Bus Information system, which provide real-time travel information.
Highways & Transport	135.7	One-off schemes to provide resolutions to specific highways and transport issues. Examples include delivery of traffic signals at Wheatsheaf crossroads in Bluntisham and replacement of the streetlighting bulbs with LEDs. Also includes additional funding for footpaths and pavements (£16m) and potholes (£17.3m).

Capital Programme Variation

The nature of capital planning is such that it can be difficult to accurately forecast

timing of capital expenditure for each individual scheme, as it is difficult to pinpoint exactly which schemes will experience unforeseen delays. In order to ensure that this does not unduly impact on the revenue position (see part 5f below for further detail on the impact capital has on revenue), the council employs the use of centrally calculated and allocated Capital Programme Variation budgets in order to reduce the overall level of anticipated borrowing each year to a more accurate level. These budgets are calculated by applying a percentage reduction at service level to the programme, based on several factors such as historical slippage, the nature of the current schemes in the programme, etc. This explains why the expenditure for this area in the chart above is negative. As slippage forecasts are reported throughout the year, they are offset against the variation budgets for each service, leading to a balanced outturn overall up until the point when rephasing exceeds this budget.

Further detail on all schemes can be found within the individual service finance tables (section 3 of the Business Plan).

5e. Funding the Strategy

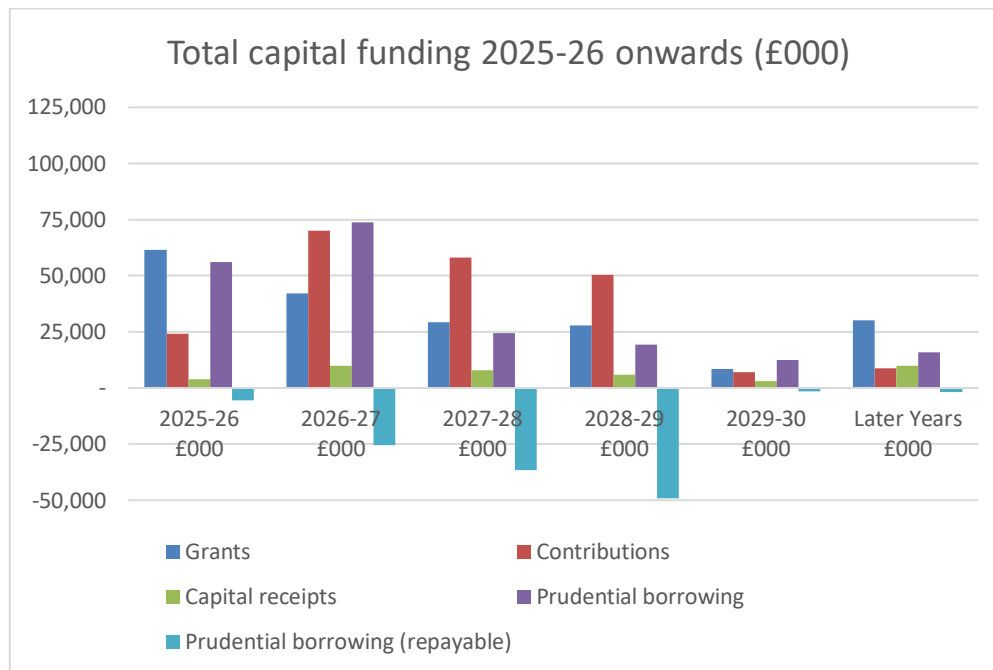
Capital expenditure is financed using a combination of the following funding sources:

Earmarked Funding	Central government and external grants
	Developer contributions (Section 106), Community Infrastructure Levy (CIL) and external contributions
	Private Finance Initiative (PFI) / Public Private Partnerships (PPP) ¹
Discretionary Funding	Central government and external grants
	Prudential Borrowing
	Capital Receipts
	Revenue funding

¹ This source of funding is no longer available for new schemes.

A more detailed explanation of these funding sources is provided in Appendix 2 of this Strategy.

The 2025-26 ten-year programme, worth £540.5m, is budgeted to be funded through £417.8m of external grants and contributions, £41.0m of capital receipts and £81.8m of borrowing.



Prudential borrowing (repayable) normally arises through timing differences between expenditure and receipt of income. This is common in relation to schemes funded, or part-funded, by developer contributions where the timing of the contribution is determined by the pace of development and meeting certain triggers, whereas the infrastructure may be required at an earlier point. For example, a new school may be required early on in a development, even though it will not reach capacity (and therefore will not trigger all the funding milestones usually linked to the number of housing completions) for several years. Prudential borrowing (repayable) will also be used to fund capital loans to other organisations; these loans will eventually be repaid, therefore over the life of the programme the borrowing required is zero. This explains the negative prudential borrowing (repayable) in some years in the above chart.

Government Grants

Councils have received one-year funding envelopes in recent years which has hampered the council's ability to make efficient and effective decisions over long-term financial planning. The lack of certainty has been further exacerbated by the number of financial reforms which have been put on hold, particularly during the pandemic as well as during various changes in political leadership. The Government's Comprehensive Spending Review (CSR) 2021 covered the period 2022-23 to 2024-25; however, despite this, the Local Government Finance Settlements for this period were each only for one year; we are expecting the same will apply for the 2025-26 settlement. This is not conducive to robust financial planning, particularly in relation to capital.

Government Grants - Highways

In addition to the Integrated Transport Block funding and Highways Maintenance formula allocation, the Department for Transport (DfT) provide a Highways Maintenance Incentive Fund. This fund is to help reward local highway authorities who

can demonstrate they are delivering value for money in carrying out asset management to deliver cost effective improvements. Each authority self-assesses themselves against set criteria that determines which of three bands they are allocated to (Band 3 is the highest performing). The council continues to be successful in maintaining Band 3 status and for 2024-25 secured the maximum funding available of £10.3m. However, this represents a 29% reduction in needs and incentive-based funding as compared to 2020-21 when the council received £14.6m. This is reflective of a £250m reduction in the overall national allocations.

The government announced as part of the Autumn Budget in October 2024 that an additional £500m cash increase on 2024-25 will be provided for local roads maintenance baseline funding in order to go “beyond the government’s promise to fix and additional £1 million potholes per year”. It also announced over £650m of funding for local transport beyond City Region Sustainable Transport Settlements in 2025-26 to ensure that transport connections improve in towns, villages and rural areas. Finally, cycling and walking infrastructure will receive a £100m investment in 2025-26 to support local authorities install cycling infrastructure and upgrade pavements and paths. We expect individual allocations to be announced for these various funding streams in due course and will be factored into the business planning process as they are announced.

In addition, the government has included funding for various capital transport projects around the country, including the East West Rail between Oxford, Milton Keynes and Cambridge.

As the CPCA is now the local transport authority, it therefore receives the above DfT local transport authority designated funding on behalf of the County; however, the CPCA continues to commission the council to carry out the required works on the transport network.

Government Grants – Levelling Up

The Levelling Up White Paper was published in February 2022, setting out in detail the framework and next steps for spreading opportunity more equally across the United Kingdom. The government’s aim was to support local economic growth in order to regenerate town centres and high streets, support individuals into employment, improve local transport links and invest in local culture, while giving communities a stronger voice to take over local assets that might otherwise have been lost.

The White Paper promised a series of next steps:

- consultation on missions and metrics and the new devolution framework
- the establishment of a new independent body focusing on local government data
- rolling out Levelling Up Directors across the UK, alongside a new Levelling Up Advisory Council
- simplifying growth funding
- creating three sub-groups to support the levelling up advisory council
- introducing future legislation to create an obligation on the UK government to

publish an annual report on progress and to strengthen devolution legislation in England.

To support these objectives, the government launched four new investment programmes to support communities right across the country. All shared common challenges and opportunities, which the government anticipated addressing in collaboration with local partners. These investment programmes were:

- The UK Community Renewal Fund: £220m of funding to help local areas prepare for the launch of the UK Shared Prosperity Fund. 1,073 bids were submitted by the deadline of June 2021; 477 bids were accepted totalling £203m. The CPCA submitted 7 bids, of which 2 totalling £3.4m were successful.
- The Levelling Up Fund: £4.8bn of funding to invest in infrastructure that improved everyday life across the UK, including regenerating town centres and high streets, upgrading local transport, and investing in culture and heritage assets. The first round allocated £1.7bn to fund 105 projects; none of the local authorities in Cambridgeshire received any funding under this round. The second round allocated £2.1bn to 111 areas; the CPCA was successful in a £47.9m bid for improvements to Peterborough station. The third round allocated a further £1.1bn across 55 projects; none of these related to Cambridgeshire.
- The Community Ownership Fund: £150m of funding over 4 years to help ensure communities can support and continue benefiting from the local facilities, community assets and amenities most important to them. The fund has allocated £71.4m to 257 projects to date; none of these relate to Cambridgeshire.
- The UK Shared Prosperity Fund: £2.6bn of funding for investment by March 2025, with all areas of the UK receiving an allocation via a funding formula, rather than a competition, recognising that even the most affluent parts of the UK contain pockets of deprivation and need support. Investment plans were required to be submitted by August 2022; the CPCA was awarded £13.9m for Cambridgeshire and Peterborough.

Government Grants – Environment

A new discounted interest rate was introduced in 2018, accessible to authorities for 3 years to support up to £1bn of infrastructure projects that are 'high value for money'. The council submitted two bids to access this discounted interest rate; in November 2019 it was notified that the bids had been successful, and the council can now secure eligible borrowing at a discount of 0.4% below standard PWLB borrowing rates. This has supported a variety of energy investment and community energy schemes. The first tranche was accessed in March 2020 when the council applied for £8m at the discounted rate, followed by a second tranche of £6m in August 2021 and a third tranche of £9m in December 2021.

Following on from this, the National Wealth Fund (NWF), formerly the UK Infrastructure Bank (UKIB), opened for business in June 2021 and was initially expected to unlock more than £40bn of infrastructure investment. The Autumn Statement 2022 announced that the government is placing the Bank on a statutory

footing, cementing its status as a key institution that will facilitate long-term investment in infrastructure to tackle climate change and support regional and local growth. The National Wealth Fund will have a broader mandate than the UKIB, supporting delivery of the wider UK national industrial strategy. The council is evaluating whether any of our schemes should apply for this investment.

The government has set up several grant schemes to support the retrofit of existing buildings across public and private assets, including the Public Sector Decarbonisation Scheme, Community Heat Fund, Home Upgrade Grants, a 'Prospering from the Energy revolution' fund and a whole stream of other pump prime funding. It has also brought forward the Environment Bill and Agriculture Act; these will bring inward investment to change the way we do things and value public goods.

The council has secured over £11m of funding from the Public Sector Decarbonisation Scheme to help decarbonise heating and improve energy efficiency in Council buildings and schools. The council is part of the Cambridgeshire Energy Retrofit Partnership (CERP); this covers all Cambridgeshire local authorities as well as the CPCA and together submits funding bids to the Sustainable Warmth, Home Upgrade Grants, and local authority decarbonisation schemes. To date, just over £20m has been secured for domestic retrofits across the different funding schemes.

Government Grants - Education

The government allocates capital funding over a two-to-three-year time frame to enable authorities to provide sufficient school places for every child who needs one and to aid the forward planning of school places. Unfortunately, the current methodology used to distribute funding for additional school places does not always reflect the council's need, requiring additional borrowing on top of grants received. Almost all of this need relates to infrastructure that the council has a statutory responsibility to provide, therefore, there is limited flexibility for the council in deciding whether to proceed with these schemes and allowing for their costs within the capital programme.

The council seeks to maximise its Basic Need funding by establishing how the funding allocation model works and providing the School Capacity (SCAP) data to the Department of Education (DfE) in such a way as to maximise the council's allocation. The council has been allocated £12.5m of Basic Need funding for 2024-25 and £9.59m for 2025-26, based on the council's SCAP return submitted for May 2022.

The DfE has also revised the methodology used to distribute condition allocations to target areas of highest condition need. The funding now consists of a weighted pupil element, banded condition scores, and a location factor to represent increased costs as determined by the Building Cost Information Service. Transitional arrangements were put in place so that protected responsible bodies received no less than 75% of the allocation they received in 2020-21; however, any remaining protections are planned to be removed in 2025-26. The exact methodology for calculating allocations in future years is yet to be confirmed, however the Autumn budget did announce the government would be providing £6.7bn of capital funding in 2025-26 for education in England; £1.4bn for the schools' rebuilding programme, £2bn for maintenance of

schools and £950m for skills capital. The council anticipates individual funding allocations for 2025-26 will be announced in spring 2025.

To date, there are currently ten Free Schools open in Cambridgeshire, the most recent being Prestley Wood, a new special school which opened on 1 September 2024. There are an additional eight Free Schools currently approved to pre-opening stage, including three primary schools, four secondary schools (including a special school), and one all through special school. The majority of these schools in pre-opening are in areas where the council has identified a basic need requirement for places. It is not known when, or if, Wave 16 will open.

Following invitation from the DfE, the council made an application to participate in the 2022-23 Safety Valve Programme. The programme is designed to assist local authorities in reducing overspends in their High Needs Block expenditure for Special Educational Needs and Disabilities (SEND). As part of its DfE safety valve application, the council requested capital funding for a number of additional SEND capital schemes. This forms part of the overall strategy to increase capacity and reduce the reliance on more costly external placements. The council entered into a Safety Valve Agreement in March 2023. The Agreement is based on the following arrangements:

- Revenue contribution of £49m from the DfE to support the repayment of the deficit, supported by a contribution of £9m from the council's reserves.
- A further £11.3m for capital funding to support new SEND provision on mainstream school sites.
- Two new special free schools for Cambridgeshire are to be established, in March (opening September 2027) and Gamlingay (opening September 2026).

Significantly, there are also new free schools being established in Bedfordshire and Norfolk which will potentially reduce the number of children accessing our specialist provision from outside of the county.

The Safety Valve agreement commits Cambridgeshire to report to the DfE's Funding Policy Unit (FPU) in writing on the progress towards the savings targets and conditions set in the agreement. The Department will use this tri-annual reporting to monitor the progress of the agreement conditions. We have an established SEND Transformation Programme Board which is monitoring performance of the programme in line with the Safety Valve Agreement. The schemes included in the capital programme are:

- A 50-place expansion of Highfield Littleport Academy due to be complete ready for September 2025.
- The 63-place expansion of Samuel Pepys is nearing completion, due early 2025.
- The 60-place expansion of Martin Bacon Academy through a satellite provision at Swavesey Village College (40 places) which opened to students September 2024, and an extension post-16 block co-located with Northstowe Secondary College (20 places) being progressed.
- A 20-place expansion to the autism unit at Spring Meadow Infants and Nursery School in Ely is currently in consultation.
- Proposals to establish Enhanced Resource Base (ERB) provisions in primary

schools:

- Two schools opened their provisions in September 2024, these include “The Lighthouse” at Wintringham Academy St Neots (8 places), and a provision at St Laurence Primary Academy in Cambridge (8 places).
- A further two primary schools have been through the approval process and works are due to commence for these soon. Sutton Primary School is due to be open their provision in early 2025, with Townley Primary School opening after Easter 2025.

Developer Contributions and Capital Receipts

2024 has been a challenging year for real estate due to persistent inflation and 15-year high interest rates. The Autumn 2024 budget may slow both growth and interest rate reductions, due to inflationary pressures and volatility which negatively impact economic growth, however, the property market is looking more optimistic with inflation falling significantly towards the end of 2024 and anticipated to stay lower than recent years in 2025, and with a real prospect of rate reductions in the first half of 2025. This, combined with the shortage of building land for housing caused by the pandemic cutback in purchases by developers suggests that the council’s ability to fund capital investment through the sale of surplus land and buildings, or from contributions by developers will not be severely impacted moving forward.

However, delivering the changes required for the net-zero target will require investment into energy infrastructure, building retrofits, circular economy, active travel, and mobility that changes our dependency on fossil fuels for heating and powering homes and businesses, moving around and waste. The changes will be significant and will include regulatory improvements to building standards, land use, transport planning, and waste management to ensure clean and sustainable growth. Whilst the development industry reacts to these changes, some impact may be felt on developer contributions as our national and local systems shift focus to tackle climate and biodiversity emergencies.

The council will re-invest 100% of all capital receipts received (after funding costs of disposal up to the allowable limit of 4% of receipt) back into the capital programme, focusing these on schemes that either generate an ongoing revenue return, remove carbon emissions or are short-life assets.

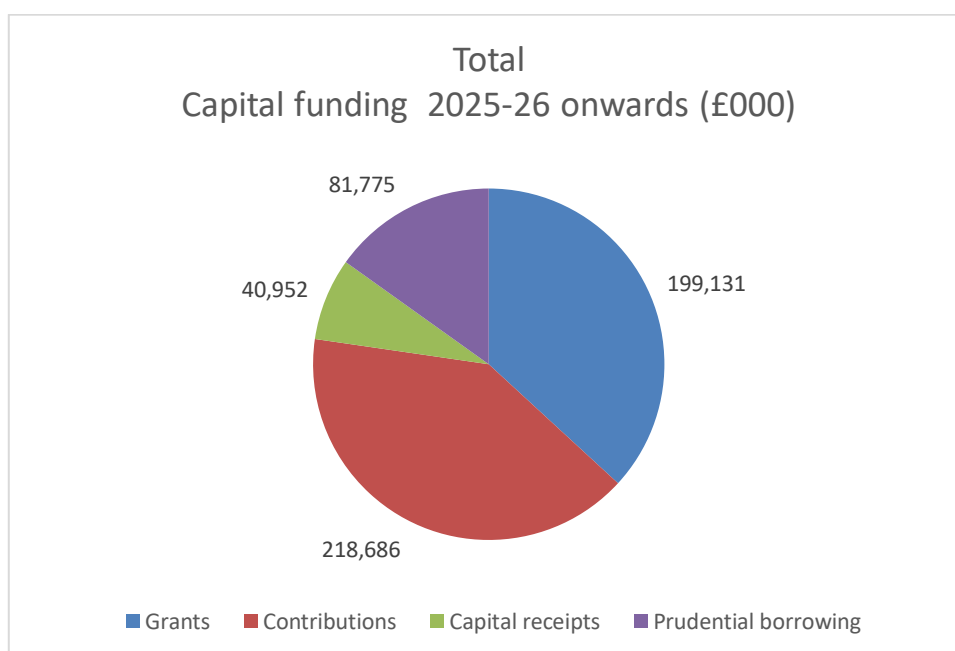
Community Infrastructure Levy (CIL)

CIL works by levying a charge per net additional floor space created on all small-scale developments, instead of requiring developers to pay specific contributions towards individual projects as per the current developer contribution process (Section 106, which is still in place for large developments). Although this is designed to create a more consistent charging mechanism, it also complicates the ability of the council to fund the necessary infrastructure requirements created by new development due to the changes in process and the involvement of the city and district councils who have exclusive legal responsibility for determining expenditure. The council therefore generally receives a much lower proportion of the cost of infrastructure requirements through CIL contributions.

Huntingdonshire and East Cambridgeshire District Councils are currently the only districts within Cambridgeshire to have adopted CIL. Cambridge City Council, South Cambridgeshire District Council and Fenland District Council currently have no plans to implement.

Borrowing

The council will only look to borrow money to fund a scheme either to allow for schemes that will generate payback and/or reduce future carbon liabilities (via either financial/carbon savings or through income generation), or if all other sources of funding have been exhausted but a scheme is required. Despite this, the council has an affordability gap of £81.8m over the ten-year programme, which is due to be funded by borrowing:



5fi. Revenue Implications and Affordability

All capital schemes have a potential two-fold impact on the revenue position, due to:

- the cost of borrowing through interest payments and repayment of principal (called Minimum Revenue Provision), or through the loss of investment income; and
- the ongoing revenue impact of the scheme (such as staff salaries, utility bills, maintenance, administrative costs etc.), or revenue benefits (such as savings or additional income).

To ensure that available resources are allocated optimally, capital programme planning is determined in parallel with the revenue budget planning process.

Both the borrowing costs and ongoing revenue costs/savings of a scheme are considered as part of a scheme's appraisal, and therefore, the process for prioritising schemes against their ability to deliver outcomes.

In addition, the council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities 2021 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to guide this process, the council sets an advisory limit on the value of the revenue budget that can be spent on capital financing costs over the coming business planning period. This is based on an assessment of affordability of financing borrowing costs over the medium-term.

In order to afford a degree of flexibility from year to year, changes to the phasing of the debt charges is allowed within any three-year block, so long as the advisory aggregate limit remains unchanged. Blocks refer to specific three- year periods, starting from 2015-16, rather than rolling three-year periods. The advisory limit on capital financing costs is reviewed annually by the Section 151 Officer and considered by Committee.

Due to the council's strategic role in stimulating economic growth across the county through infrastructure investment, any capital proposals that can reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme's borrowing requirement are excluded from contributing towards the advisory borrowing limit. These schemes are called Invest to Save or Invest to Earn schemes and will be self-funded in the medium-term. Whilst the financing costs for commercial activity schemes have already been removed from the budget and recharged to the Investment Activity budget within Finance and Resources, there are several other Invest to Save / Earn schemes that have not been recharged e.g., third party loans. The following table therefore compares revised net financing costs excluding these costs. Following the change in the Minimum Revenue Provision policy, agreed by Full Council in February 2016, the limits in recent years have been increased by 2% each year:

Financing Costs	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
2025-26 draft BP (net figures excluding Invest to Save / Earn schemes)	42.1	41.9	44.5	46.1	43.9	41.8
Recommend limit	42.2	43.0	43.9	44.7	45.6	46.5
HEADROOM (-)	-0.1	-1.1	0.6	1.4	-1.8	-4.7

Recommend limit (3 years)	129.1	136.8
HEADROOM (-) (3 years)	-0.6	-5.1

Once the service programmes have been refined, if the amalgamated level of

borrowing and thus debt charges breach the advisory limit, schemes will either be re-prioritised in order to reduce borrowing levels, or the number of schemes included will be limited.

Invest to Save and Invest to Earn schemes for all services are expected to fund any revenue pressures, including borrowing costs, over the life of the asset. However, any additional savings or income generated in addition to this repayment will be retained by the respective Service and will contribute towards their revenue savings targets.

However, there will still be a short-term revenue cost for these schemes, as with all other schemes funded by borrowing. Therefore, SR&P Committee still needs to review the timing of the repayments, in conjunction with the overall total level of debt charges to determine affordability of the capital programme, before recommending the Business Plan to Full Council. The debt charges budget required to fund capital borrowing for the ten-year programme is forecast to spend £41.9m in 2025-26, increasing over the subsequent years, before falling to £41.8m by 2029-30. The following table shows the proportion of net budget (excluding schools) that is forecast to be spent on debt charges, resulting from the estimated increase in borrowing levels over the period of the 2025-26 plan. Maintaining the proportion of budget spent on debt charges at 2025-26's level (9.9%) would reduce the revenue cost of capital schemes, but would require a reduction or rephasing of the capital programme.

	2025-26	2026-27	2027-28	2028-29	2029-30
Debt charges (including Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	9.9%	9.9%	9.2%	8.1%	7.3%
Debt charges (excluding Invest to Save / Earn schemes) as a percentage of Net Service Expenditure	7.4%	7.1%	7.0%	7.1%	6.5%

The council also includes the capitalisation of the cost of borrowing within all schemes; this has helped the council to better reflect the cost of assets when they actually become operational. Although the capitalised interest cost budgets are initially held on an overall service basis within the capital programme, the funding is ultimately moved to the appropriate schemes each year once exact figures have been calculated.

5fii. Flexible Use of Capital Receipts

Since 2015, local authorities have been given flexibility to spend certain capital receipts on transformation and efficiency work to deliver more efficient and sustainable services. That flexibility has been extended several times and has most recently been indicated to be extended to 2030.

This flexibility applies as long as the council complies with the following:

- The expenditure is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years; and
- The expenditure is properly incurred for the financial years that begin on 1 April 2016 to 1 April 2025 (anticipated to be extended beyond) and can only be met from capital receipts which have been received in the years to which this direction applies.
- We set out in advance the expected use of the flexibility (using the language in the regulations) on a project-by-project basis and stating the costs and expected savings and/or service transformation to be delivered.

We will use this direction for 2025-26 for two main purposes – to meet the eligible cost of any organisational redesign work to deliver planned savings for 2025-26 set out in the business plan, and to fund posts primarily in the Change Team to deliver our change programme.

This will be used to fund up to £1.5m for 2025-26. The council funded £2.9m of expenditure in 2017-18 using this direction, £3.9m in 2018-19, £2.6m in 2019-20, £1.5m in 2020-21, £1.7m in 2021-22, £1.0m in 2022-23, £0.4m in 2023-24 and is forecasting to spend £1.682m in 2024-25.

For 2025-26 we expect the flexibility to be used on the following work, to delivery savings or service transformation:

Project line	Expected use of capital receipts flexibility £000	Expected savings £000	Service transformation
Service redesign	750	-7,895	Delivers on the target operating model portfolio of our change strategy
Asset improvement programme	100	-1,512	Delivers on the Assets portfolio of our change strategy
Wider change programme	650	TBC	Delivery of the other portfolios of the council's change strategy will unlock savings, efficiencies and improved services. This will be reviewed and allocated, primarily on project/programme management resource or specialist work, through the council's Change Board
Total	1,500	-9,407	

As a result of using capital receipts in this way rather than applying all capital receipts

to the capital programme, prudential borrowing undertaken by the council for 2025-26 is expected to be £1.5m higher, which impacts on our prudential indicators in this way:

Prudential Indicator	2025-26 £m
Capital Financing Requirement	+1.5m
Operational Boundary (Total Borrowing)	+1.5m
Authorised Limit (Total Borrowing)	+1.5m

This is expected to create additional financing costs in the revenue budget of up to £128k per annum (decreasing) once all expenditure has been incurred.

5g. Managing the Borrowing Requirement

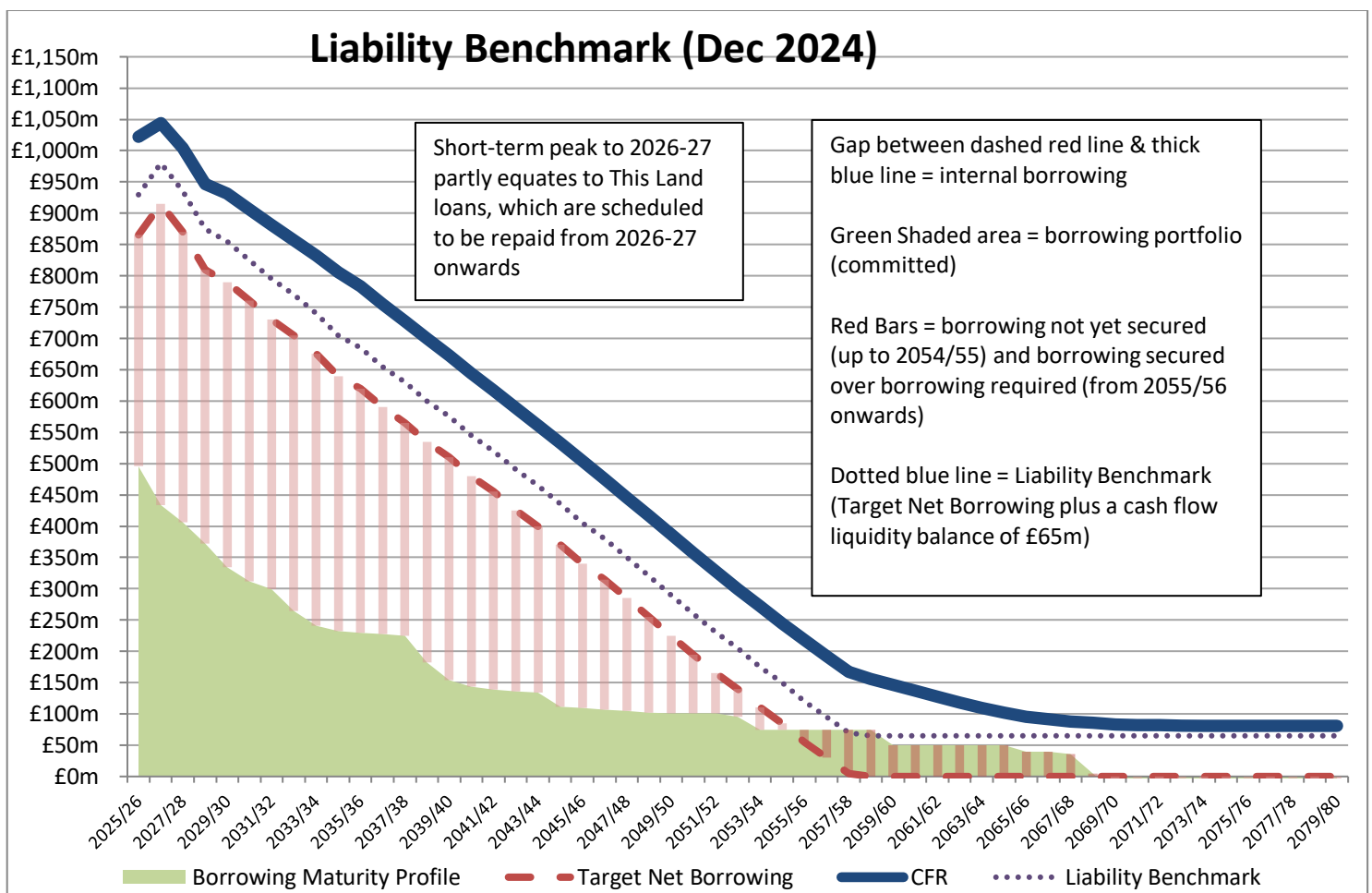
The council's Treasury Management Strategy (section 7 of the Business Plan) considers how the cash requirements arising from the council's Capital Strategy and detailed investment programme are managed by external borrowing, and the timing of any such borrowing. Where capital expenditure has been incurred without a resource to pay for it, i.e., when it is proposed to be funded by borrowing, this will increase the council's Capital Financing Requirement (CFR). The CFR therefore effectively represents the council's underlying need to borrow. The council reduces the CFR by making a prudent provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed policy – this is called Minimum Revenue Provision (MRP). Calculation of the CFR is summarised in the table below and results in the need to borrow money.

	Opening Capital Financing Requirement
+	Capital expenditure incurred in year
-	Grants, contributions, capital receipts and revenue funding used to fund capital expenditure
-	Prudent Minimum Revenue Provision (MRP)
=	Closing Capital Financing Requirement

Future projections of the CFR based on the capital programme and resources deemed available to fund it are shown in the table below. Forecasts are subject to the timing of capital expenditure and receipt of funding sources.

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Total CFR	1,022.0	1,044.0	1,004.1	946.9	931.6

The following chart shows the council's projected CFR (underlying borrowing need) against the maturity profile of all active loans. The shaded red bars therefore represent the amount of borrowing required to be secured in future in order to meet the council's projected borrowing requirement, based on the forecast capital programme.



The council's main objective when borrowing is to achieve a low but certain cost of finance, while retaining flexibility should plans change in future. These objectives are often conflicting, and the council therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher. In the current higher-interest rate environment, the balance is more skewed towards taking out short-term loans; however, this has been made possible due to the council taking advantage of historically low interest rates during 2021 to extend the maturity profile of the council's debt by taking out longer-term loans at cheaper rates. For further detail regarding the council's long-term borrowing strategy, please see the

Treasury Management Strategy (section 7 of the Business Plan).

5h. Risk

There are a range of future risks beyond the control of the council that have the potential to impact upon the council's ability to deliver its capital ambition. Retaining a focus on future risk through a risk management approach that identifies, assesses, and manages (as far as is possible) risk is a critical part of the Capital Strategy, approach, and programme. The council does not have the resources to mitigate all risks faced, so instead manages risk proportionately, utilising the expertise of senior officers.

The council's planning and governance processes have been developed in such a way as to mitigate these risks. All capital Business Cases are required to complete a section on risk to identify the main drivers and potential mitigations. The following table sets out some of these:

Risk	Mitigation
Legislative	Changes in statute and regulation will impact upon capital projects, as they must comply with current legislation. The council ensures that it keeps abreast of these developments, responding to consultations where appropriate and taking any required adjustments to strategies or processes through the appropriate governance channels.
Property Markets	Various aspects of the programme, such as rental income, income generated by capital receipts and funding through developer contributions are affected by the health of property markets. The council ensures it has a sound property asset strategy, suitable diversification, adequate resourcing (including use of external experts where required), and a long-term approach.
Environmental	The impacts of a changing climate are being felt globally. Cambridgeshire is low lying and has a long record of water related challenges, making it vulnerable to sea level rise, increasing flood risk, drought, and overheating, as well as future resource constraints resulting from loss of nature and global competition for resources. Capital Business cases now include a section on carbon in order to identify whether a scheme is increasing or decreasing the council and the county's carbon footprint.

Risk	Mitigation
Interest Rate	A considerable proportion of the council’s programme is funded by borrowing and is therefore exposed to fluctuations in interest rates. The council uses prudent forecasts for future interest rates and constantly reviews its long-term borrowing strategy to mitigate against any interest rate rise risk. Further detail can be found in the Treasury Management Strategy.
Inflation	Given the size of the portfolio, a small rise in inflation can have a significant impact upon project costs. The council builds in inflation estimates where appropriate to mitigate against this risk, plus schemes include contingency budgets in order to further mitigate against unanticipated rises. Contracts are also negotiated using fixed terms where possible. In a high-inflation environment where tender quotes are only held for a short period, appropriate short-term delegations are put in place to enable rapid response in a short timeframe. Close monitoring of the programme supports early identification and therefore appropriate response.
Capacity	A significant challenge in the current environment is the capacity within the supply chain to deliver projects on time and to budget. In addition, the council needs to ensure it has sufficient project delivery expertise in order to deliver schemes efficiently and effectively. For significant programmes, dedicated project delivery resource is allocated to ensure capacity and expertise. Supply chain capacity is managed at the project and programme level, with residual risks escalated through the council’s governance process as necessary.

It is important to integrate climate risk into financial risk management to enable decision-makers to understand the climate related issues facing both the council in how it runs its budget, investments, and services, as well as enabling Cambridgeshire’s residents and businesses to thrive. Identifying and diagnosing the challenges and impacts will help us to develop strategies to inform and solve them. For example, the hot summer of 2022 has increased the maintenance costs for highways as a result of roads overheating, and the ground under the highway contracting and then expanding. This type of cost could become more prevalent and needs proactive management.

The council is still developing its climate risk approach. It will look to ensure climate change is addressed through the council’s governance process; how it impacts on strategy; how climate-related risks and opportunities are assessed and managed; and look to apply performance measures and targets to manage these issues.

Investment Strategy Risk

The structure of the property portfolio has a significant bearing on the portfolio's inherent risk and return profile. Therefore, a key objective of the non-financial investment strategy was to create diversification within the portfolio in order to manage exposure to the risks of concentrating too much activity in any particular sector. Key risks in the portfolio can be categorised in as follows:

Risk	Mitigation
Income	The main risk in a commercial portfolio is tenant vacancies and the resultant loss of income. The costs of holding a vacant property include non-domestic rates, insurance, utilities, security, inspections, and management. In addition, there are costs of marketing the property, the agent's disposal fees and legal fees for completing the lease documentation for re-letting the premises. The council holds a sinking fund reserve, which is topped up each year in order to provide cover for both ad hoc additional expenditure, as well as both expected and unexpected loss of income through vacant property and/or lease breaks.
Yield	The main aim of the majority of investments is to provide a secure return on income. The council manages its commercial property as a single portfolio, ensuring that the collective returns achieved on the investments meet the overall financial target that is set.
Concentration	<p>Sector Concentration – the main property sectors are retail, office, industrial and leisure/healthcare. The council has spread its portfolio of investment across the different sectors in order to limit exposure to any volatility in a particular area. Like geographic diversification, industry diversification is sensitive to the diversification requirements of the overall portfolio.</p> <p>Geographical Concentration – it is important for the council to understand the future economic viability of localities, which will be influenced by a number of local and national economic factors. For example, future major transport infrastructure investment could significantly influence the economic viability of an area and therefore the future value of investments in that locality.</p>

Risk	Mitigation
	<p>Property Concentration – diversifying a real estate portfolio by property type is similar to diversifying a securities portfolio by industry. Different property types cater to different sectors of the economy. For example, office property generally responds to the needs of the financial and services-producing sectors; industrial property to the goods-producing sectors; retail property to the retail sector; and hotels to the travel and tourism sectors, employment growth, and the business cycle. Understanding the return and risk factors attendant to different property types requires understanding the factors affecting each property type’s user groups.</p> <p>Tenure Concentration – the portfolio is managed to ensure that it contains a broad spread of tenants. This analysis can be driven by credit ratings, nature of business, lease length, and the value of the leaseholds. It is important to evaluate tenant credit ratings according to the senior corporate debt of the lessees. Leases are compared regarding their length (including renewal options), which may vary considerably, typically from ten to twenty years.</p>

The Investment Strategy requires continual evaluation of the investment portfolio against the council’s ambitions to ensure that it is fit for purpose. A larger and more balanced portfolio would have helped to achieve the council’s aim of increasing income to support the delivery of services throughout the county, however, balancing this with risk means that a core portfolio of property assets has been sought, diversified by sector (industrial, offices and retail), location and risk.

5i. Capital Planning and Governance

This Capital Strategy supports, and is aligned to, the decision-making framework which has been developed by the council. When making long-term investment decisions, clear and informed information is vital to understanding the short- and long-term impact on key social, financial, and environmental indicators. Any investment proposal will therefore be considered in line with the impact it has on supporting the council’s seven ambitions.

The council operates a five-year rolling revenue budget, and a ten-year rolling capital programme. 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 funding streams for the council.

New schemes for inclusion in the programme are developed by services in conjunction with the finance team in line with the council ambitions outlined in the Strategic Framework. Any new capital scheme costing more than £250,000 is appraised as to its financial, human resources, property, carbon, environment, and economic consequences. The justification and impacts, as well as the expenditure and funding details of these schemes are initially specified in an outline capital Business Case, which becomes more detailed as the proposal develops. At the same time, all schemes from previous planning periods are reviewed and updated as required. All schemes, whether existing or new, are scrutinised and challenged where appropriate by officers to verify the underlying costs and/or establish whether alternative methods of delivery have been investigated in order to meet the relevant needs and outcomes of the council.

An investment appraisal of each capital scheme is undertaken as part of the business case development, which allows the scheme to be assessed against social, financial, and environmental factors. This allows schemes within and across all services to be prioritised, considering 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 ambitions.

Capital Programme Board (CPB) is an officer board and provides support and challenge with respect to both the creation of an initial budget for a capital scheme, as well as the deliverability and ongoing monitoring of a scheme. The terms of reference require CPB to ensure that the following outcomes are delivered:

- Appropriate estimates for cost and time of capital projects
- Robust project and programme management and governance
- Post project evaluation and monitoring of key carbon reductions and environmental benefits
- Prioritisation across the whole programme.

Service committees review the draft service programmes, and the overarching capital programme is approved by Full Council each year as part of the business plan.

The capital programme is monitored in year through quarterly reporting to service committees via Finance Monitoring Reports.

These feed into the Integrated Finance Monitoring Report, which is scrutinised by CPB and also reviewed by SR&P Committee. The report identifies changes required to the capital programme and seeks approval for:

- new / updated resource allocations
- slippage or brought forward programme delivery
- increase / reduction in overall scheme costs
- virements between schemes to maximise delivery against the ambitions of the council.

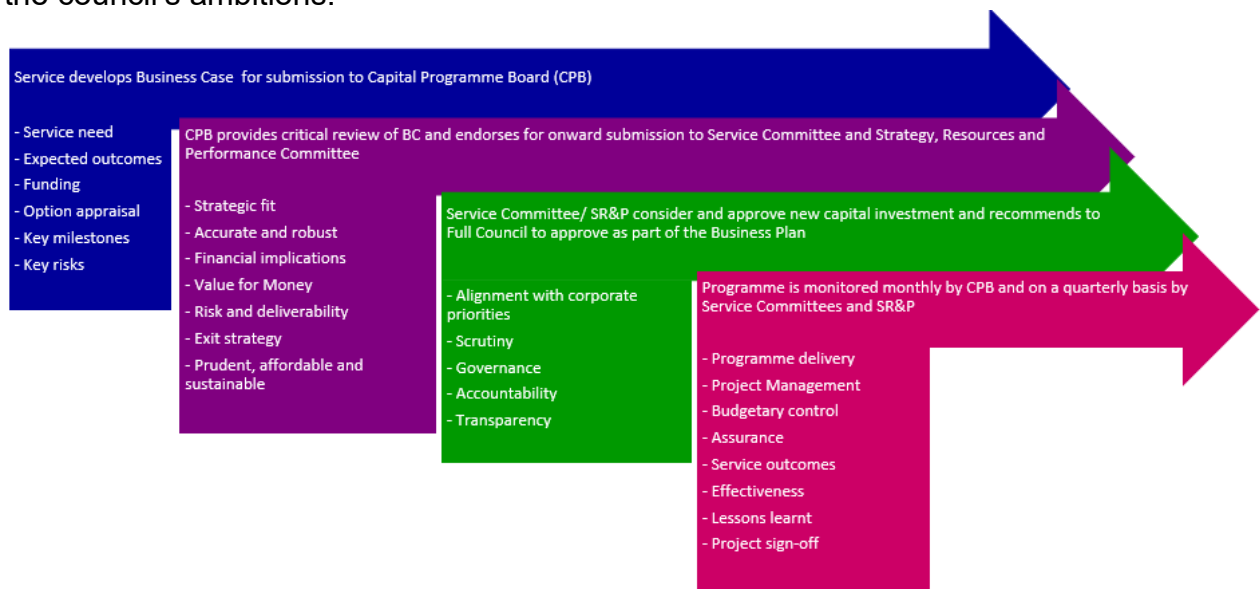
It is inevitable that new demands and pressures will be identified by the council on an ongoing basis, however, as far as possible, addressing these requirements is undertaken as part of the next business planning process, in line with Regulation 6.4

of the Scheme of Financial Management. Therefore, all new capital schemes should be approved via the Business Plan unless there is an urgent need to seek approval that cannot wait until the next planning process. In these situations, any supplementary capital request will be prepared in consultation with, and with the agreement of, the Section 151 Officer. Where possible, the report will be reviewed by CPB before being taken to the Corporate Leadership Team by the relevant Executive Director and the Section 151 Officer, before any request for a supplementary estimate is put to SR&P Committee.

New demands and pressures and changes to estimated costs and funding for ongoing schemes will also potentially result in the need for virements between schemes. All virements should be carried out in line with the limits set out in Appendix I of the Scheme of Financial Management, up to the upper limit of £250,000 by the Section 151 Officer. Anything above this limit will be dealt with in line with the process for new schemes and will be taken to SR&P Committee for approval as part of the monthly Integrated Finance Monitoring Report. Any overspends, whether in year or in relation to the whole scheme, once approved will be funded using applicable external sources and internal, non-borrowing sources first, before using borrowing as a last resort.

Once a project is complete, CPB follows a post-implementation review process for any significant schemes (schemes over £1m, or for schemes between £0.5m and £1m where the variance is more than 20%) in order to ensure that the council learns from any issues encountered, and highlights and follows best practice where possible. In addition, the board can request for a review to be completed on any scheme where it is thought helpful to have one.

The following diagram summarises the relevant responsibilities regarding the Capital Strategy to ensure decisions are made legitimately, transparently and deliver against the council’s ambitions:



In order to support prioritisation and to avoid slippage and potentially unanticipated additional costs, the council needs to ensure it has access to sufficient skills and capacity both within the council and externally in order to deliver the capital

programme. Such capacity could be project management and development skills, technical and design skills, knowledge, availability of contractors as well as wider market factors.

Appendix 1: Non-Financial Investment Portfolio

The Capital Strategy is required by local authority investment guidance issued by central government to report on non-financial investments. This should include quantitative indicators that allow total risk exposure to be assessed and scrutinised – the specific indicators are not set nationally, and so those used have been determined locally to be the most useful in making that assessment and the consistency in use between business plans shows how these have changed over time. We are also required to set out what any exit strategy from these investments might be. Overall, our non-financial investments deliver a good financial return to the council.

The tables below set out our non-financial investments, describes what they are, and provides the referenced indicators to allow for an assessment of risk.

Tables to be added for January Committee

Appendix 2: Sources of capital funding

Central government and external grants

Grant funding is one of the largest sources of financing for the capital programme. The majority of grants are awarded by central government departments including the Department for Education (DfE) and the Department for Transport (DfT). In addition, the council receives grants from various external bodies, including lottery funded organisations. Grants can be specific to a scheme or have conditions attached, including time and criteria restrictions.

Capital receipts

The sale of surplus or poor-quality capital assets as determined by the Land & Property Strategy generates capital receipts, which are reinvested in full in order to assist with financing the capital programme.

Section 106 (S106), Community Infrastructure Levy (CIL) and external contributions

S106 contributions are provided by developers towards the provision of public infrastructure (such as highways, education, waste management centres and libraries) required as a result of development. Capital schemes undertaken in new development areas are often funded wholly or in part by the S106 contribution negotiated with developers. The Community Infrastructure Levy (CIL) is a levy that local authorities can choose to charge on new developments in their area and replaces a substantial proportion of S106 agreements. Other external contributions are made by a variety of organisations such as district councils and central government, often contributing towards jointly funded schemes.

Private Finance Initiative (PFI) / Public Private Partnerships (PPP)

The council has previously made use of additional government support through PFI and PPP and has dedicated resource to manage schemes that are funded via this source. Previous schemes that have been funded this way include Waste, Street Lighting and Schools. However, due to increasing criticism around some high-profile, large-scale PFI projects failing to deliver Value for Money, the government announced the abolishment of this form of capital finance in October 2018.

Borrowing (known as prudential borrowing)

The council can determine the level of its borrowing for capital financing purposes, based upon its own views regarding the affordability, prudence, and sustainability of that borrowing, in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2021. Borrowing levels for the capital programme are therefore constrained by this assessment and by the availability of the revenue budget to meet the cost of this borrowing, considered in the context of the overall revenue budget deliberations. Further information is contained within the Treasury Management Strategy (section 7 of the Business Plan).

Revenue Funding

The council can use revenue resources to fund capital projects on a direct basis. However, given the existing pressures on the revenue budget, it is unlikely that the council will often choose to undertake this method of funding.