

SERVICE COMMITTEE REVIEW OF THE DRAFT 2017-18 CAPITAL PROGRAMME

To: **Adults Committee**

Meeting Date: **15 September 2016**

From: **Executive/Corporate Director, People and Communities
Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **This report provides the Committee with an overview of the draft Business Plan Capital Programme for Adults Services**

Recommendation: **a) It is requested that the Committee note the overview and context provided for the 2019-20 Capital Programme for Adults Services**

b) It is requested that the Committee comment on the draft proposals for Adults' 2019-20 Capital Programme and endorse their development

| <i>Officer contact:</i> | |
|--------------------------------|---------------------------------------|
| Name: | Stephen Howarth |
| Post: | Strategic Finance Manager |
| Email: | Stephen.Howarth@cambridgeshire.gov.uk |
| Tel: | 01223 714770 |

1. CAPITAL STRATEGY

- 1.1 The Council strives to achieve its vision through delivery of its Business Plan. To assist in delivering the Plan the Council needs to provide, maintain and update long term assets (often referred to as 'fixed assets'), which are defined as those that have an economic life of more than one year. Expenditure on these long term assets is categorised as capital expenditure, and is detailed within the Capital Programme for the Authority.
- 1.2 Each year the Council adopts a ten-year rolling capital programme as part of the Business Plan. The very nature of capital planning necessitates alteration and refinement to proposals and funding during the planning period; therefore whilst the early years of the Business Plan provide robust, detailed estimates of schemes, the later years only provide indicative forecasts of the likely infrastructure needs and revenue streams for the Council.
- 1.3 This report forms part of the process set out in the Capital Strategy whereby the Council updates, alters and refines its capital planning over an extended planning period. New schemes are developed by Services and all existing schemes are reviewed and updated as required before being presented to the Capital Programme Board and subsequently Service Committees for further review and development.
- 1.4 An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) is undertaken / revised, which allows schemes within and across all Services to be ranked and prioritised against each other, in light of the finite resources available to fund the overall Programme and in order to ensure the schemes included within the Programme are aligned to assist the Council with achieving its outcomes.

2. DEVELOPMENT OF THE 2019-20 CAPITAL PROGRAMME

- 2.1 Prioritisation of schemes (where applicable) is included within this report to be reviewed individually by Service Committees alongside the addition, revision and update of schemes. Prioritisation of schemes across the whole programme will also be reviewed by General Purposes Committee (GPC) in November, before firm spending plans are considered again by Service Committees in November. GPC will review the final overall programme in December, in particular regarding the overall levels of borrowing and financing costs, before recommending the programme in January as part of the overarching Business Plan for Full Council to consider in February.
- 2.2 The introduction of the Transformation Fund for the 2017-18 planning process has not impacted on the funding sources available to the Capital Programme as any Invest to Save or Earn schemes will continue to be funded over time by the revenue payback they produce via savings or increased income. This is the most financially sensible option for the Council due to the ability to borrow money for capital schemes and defray the cost of that expenditure to the Council over the life of the asset. However, if a scheme is transformational, then it should also move through the governance process agreed for the transformation programme, in line with all other transformational schemes, but without any funding request to the Transformation Fund.

- 2.3 There are several schemes in progress where work is underway to develop the scheme, however they are either not sufficiently far enough forward to be able to include any capital estimate within the Business Plan, or a draft set of figures have been included but they are, at this stage, highly indicative. The following are the main schemes that this applies to:
- The Adults Committee first considered the Older People's Accommodation Strategy in 2016, and in September 2017 agreed a blended approach for increasing capacity for residential/nursing care. One element of this was to procure an increase in capacity through a number of new build sites, which has potential for implications for the Council's capital plans through provision of land or other assets, or involvement with construction. The Council is engaged with health partners on these challenges, to maximise a 'one public estate' approach.
 - The Council, in cooperation with health partners, is reviewing the care that is provided to service-users with learning disabilities, particular those placed out-of-county due to lack of suitable local provision. One option being considered is the acquisition of land and/or buildings that could provide bespoke services to groups of individuals with high needs reducing the need to source high-cost residential placements while improving outcomes. This would have an impact on the Council's capital plans through provision of land or other assets, or involvement with construction. This will only be done where the new provision is more cost-effective than current arrangements.
 - The Cambs 2020 project is moving forward with pace; one element of this project relates to the Shire Hall Relocation capital scheme where the Council is looking to change ways of working and move out of its current premises. However, there is still significant work to be undertaken to determine the capital investment required to enable the Hub and Spokes model to be implemented.
 - King's Dyke – this scheme is due to be discussed at October/November Economy & Environment Committee, following which some changes may be required.

3. REVENUE IMPLICATIONS

- 3.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport (e.g. transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).
- 3.2 The Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2017 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, GPC recommends an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any

three-year block (starting from 2015-16), so long as the aggregate limit remains unchanged.

- 3.3 For the 2018-19 Business Plan, GPC agreed that this should continue to equate to the level of revenue debt charges as set out in the 2014-15 Business Plan for the next five years (restated to take into account the change to the MRP Policy agreed by GPC in January 2016), and limited to around £39m annually from 2019-20 onwards. GPC have reconfirmed this decision for the 2019-20 process as part of the Capital Strategy paper, which was presented to GPC in September.

4. SUMMARY OF THE DRAFT CAPITAL PROGRAMME

- 4.1 The revised draft Capital Programme is as follows:

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

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

| Funding Source | 2019-20 £'000 | 2020-21 £'000 | 2021-22 £'000 | 2022-23 £'000 | 2023-24 £'000 | Later Yrs £'000 |
|------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| Grants | 34,813 | 48,692 | 37,065 | 37,078 | 32,720 | 43,199 |
| Contributions | 40,298 | 23,179 | 40,071 | 33,355 | 10,872 | 170,870 |
| Capital Receipts | 50,293 | 5,098 | 6,493 | 500 | 500 | 2,000 |
| Borrowing | 112,398 | 33,242 | 21,894 | 14,477 | 21,632 | -5,200 |
| Borrowing (Repayable)* | 41,131 | -1,897 | -14,091 | -2,040 | -250 | -144,578 |
| Total | 278,933 | 108,314 | 91,432 | 83,370 | 65,474 | 66,291 |

* Repayable borrowing nets off to zero over the life of each scheme and is used to bridge timing gaps between delivery of a scheme and receiving other funding to pay for it.

- 4.3 The following table shows how each Service's borrowing position has changed since the 2018-19 Capital Programme was set:

| Service Block | 2018-19 £'000 | 2019-20 £'000 | 2020-21 £'000 | 2021-22 £'000 | 2022-23 £'000 | 2023-24 £'000 | Later Yrs £'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| People and Communities | -1,237 | 14,890 | 10,673 | 1,152 | 5,741 | 7,981 | -1,268 |
| Place and Economy | 17,839 | 3,848 | 353 | 78 | -2,563 | -4,396 | 551 |
| Corporate and Managed Services | -3,106 | 443 | -459 | -459 | - | - | - |
| Commercial and Investment | 39,581 | 37,391 | 12,942 | -11,251 | 2,706 | 2,338 | 19,170 |
| Corporate and Managed Services – relating to general capital receipts | - | - | - | - | - | - | - |

| | | | | | | | |
|--------------|---------------|---------------|---------------|----------------|--------------|--------------|---------------|
| Total | 53,077 | 56,572 | 23,509 | -10,480 | 5,884 | 5,923 | 18,453 |
|--------------|---------------|---------------|---------------|----------------|--------------|--------------|---------------|

4.4 The table below categorises the reasons for these changes:

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

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

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

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

4.6 The debt charges budget is currently undergoing thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest – the results of this will be fed into the next round of committee papers on capital.

4.7 Invest to Save / Earn schemes are excluded from the advisory financing costs limit – the following table therefore compares revised financing costs excluding these schemes. In order to afford a degree of flexibility from year to year, the limit is reviewed over a three-year period – based on the revised programme, the advisory limit is not exceeded for either of these 3 year blocks.

| Financing Costs | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2019-20 draft BP (excluding Invest to Save / Earn schemes) | 29.3 | 34.8 | 37.4 | 39.0 | 39.0 | 39.0 |
| Recommend limit | 37.9 | 38.6 | 39.2 | 39.7 | 40.3 | 40.8 |
| HEADROOM | -11.3 | -8.5 | -3.8 | -1.8 | -0.7 | -1.3 |
| Recommend limit (3 years) | 115.7 | | | 120.8 | | |
| HEADROOM (3 years) | -14.1 | | | -3.8 | | |

- 4.8 Although the limit hasn't been exceeded, the Business Plan is still under review and as such adjustments to schemes and phasing will continue over the next two to three months.

5. OVERVIEW OF ADULTS SERVICES DRAFT CAPITAL PROGRAMME

- 5.1 The capital programme for the Adult Social Care (ASC) and Older People and Mental Health (OP&MH) Service Directorates of the Peoples & Communities (P&C) Executive Directorate is relatively small compared to its recurring revenue expenditure and to capital spending in other areas of the Council, totalling around £5.5m per year. This reflects that much of the front-line care funded by the local authority is delivered by independent organisations through their own assets.
- 5.2 For ASC and OP&MH Services, capital expenditure has, until now, been predominantly funded through ring-fenced grants from the Department of Health. Changes to the Department of Health funding into the Better Care Fund in 2016/17 means the Council no longer receives £1.3m in direct grant to support the capital programme. The Disabled Facilities Grant element of the Better Care Fund which is directed to district councils, as housing authorities. To continue meeting the capital needs of County Council services for Adults it will therefore be necessary to borrow in line with the CIPFA Prudential Code for Capital Finance. The anticipated funding sources per scheme for the draft ASC capital programme are identified in Appendix 1.
- 5.3 As in previous years, it is proposed to organise and phase capital spending in the ASC and OP&MH Service directorates under the following categories. Full draft tables can be found in Appendix 1.
- 5.4 **Enhanced Frontline** – This comprises spending on provider services (including the small number of in-house run services) and related delivery of social care, predominantly for clients with needs from learning disabilities, mental health or old age. This spend includes enhancing facilities of the centres and ensuring suitability of centres for clients.
- 5.5 **Integrated Community Equipment Service** – Department of Health annual grant was withdrawn in 2016/17, meaning that this element will continue to be funded from borrowing. Capital spending on community equipment continues to be a priority and preventative in terms of reducing revenue expenditure.
- 5.6 **Disabled Facilities Grant** – It is anticipated the funding for the Disabled Facilities Grant will continue to be received in 2019-20 and distributed by the County Council. Historically this funding has been distributed through District Councils, and now channels through the County Council as a result of the BCF. Funding has been assumed until 2022-23.
- 5.7 As paragraph 2.3 sets out in more detail, the Council is progressing plans for securing sufficient affordable care home bed places, but is not yet in position to include costed implications in the capital programme.

6. ALIGNMENT WITH CORPORATE PRIORITIES

6.1 Developing the local economy for the benefit of all

Where investment is in local fixed assets, or through local businesses, this will lead to benefits for the local economy.

6.2 Helping people live healthy and independent lives

Expenditure on equipment and assistive technology, as well on accommodation and the centres supporting service users, help people live independent and healthy lives.

6.3 Supporting and protecting vulnerable people

Expenditure on assistive technology as well as the infrastructure that supports Council staff enables our objective of supporting and protecting vulnerable people.

7. SIGNIFICANT IMPLICATIONS

7.1 Resource Implications

This report is about resource allocation. There may be revenue implications associated with operating new or enhanced capital assets.

7.2 Statutory, Risk and Legal Implications

Regulations for capital expenditure are set out under Statute. The Council complies with these requirements

7.3 Equality and Diversity Implications

Investments in client facing assets, such as day centres, accommodation or equipment support the equalities agenda

7.4 Engagement and Consultation Implications

The Business Plan is subject to public consultation. Consultation is continuous and ongoing between commissioners and providers, and with partners, to ensure the most effective use of capital funding.

7.5 Localism and Local Member Involvement

Local Members will be engaged where opportunities for strategic investment in care infrastructure arise.

7.6 Public Health Implications

Strategic investment in Adult Social Care assets has significant potential to improve Public Health outcomes.

| Implications | Officer Clearance |
|---|--|
| | |
| Have the resource implications been cleared by Finance? | Yes Name of Financial Officer: Kerry Newson |
| | |
| Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law? | Yes or No Name of Legal Officer: |
| | |
| Are there any Equality and Diversity implications? | Yes or No Name of Officer: |
| | |
| Have any engagement and communication implications been cleared by Communications? | Yes Name of Officer: |
| | |
| Are there any Localism and Local Member involvement issues? | Yes or No Name of Officer: |
| | |
| Have any Public Health implications been cleared by Public Health | Yes Name of Officer: Tess Campbell |

SOURCE DOCUMENTS GUIDANCE

| Source Documents | Location |
|---|---|
| Latest Social Services capital grant letter from Department of Health | http://careandrepair-england.org.uk/wp-content/uploads/2014/12/180509-ANNEX-A-DFG-Grant-Determination-2018-19-FINAL.pdf |