

Service committee review of the draft 2021-22 capital programme

To: Children and Young People's Committee

Meeting Date: 6 October 2020

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

Electoral division(s): All

Forward Plan ref: Not applicable

Key decision: No

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

Recommendation: The Committee is asked to:

- a) Note the overview and context provided for the 2021-22 Capital Programme for People and Communities (P&C)
- b) Comment on the draft proposals for P&C's 2021-22 Capital Programme and endorse their development

Officer contact:
Name: Ian Trafford
Post: Interim Education Capital Strategy Manager
Email: ian.trafford@cambridgeshire.gov.uk
Tel: 01223 699803

Member contacts:

Names: Councillor Simon Bywater
Post: Chairman, Children and Young People's Committee
Email: Simon.bywater@cambridgeshire.gov.uk
Tel: 01223 706398

1. Capital Strategy

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

2. Development of the 2021-22 capital programme

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

estimate within the Business Plan, or a draft set of figures have been included but they are, at this stage, highly indicative. The following are the main schemes that this applies to:

- There is the potential for further capital schemes to be developed as part of the Older People's Accommodation Strategy, in line with the Adults' Committee's previous decision for a blended approach to increasing capacity for residential and nursing care. One element of this is to procure an increase in capacity through a number of new build sites, which has potential for implications for the Council's capital plans through provision of land or other assets, or involvement with construction. The Council is engaged with health partners on these challenges, to maximize a 'one public estate' approach; however, plans are not yet developed sufficiently to include any capital estimate within the Business Plan.

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

3. Revenue Implications

- 3.1 All capital schemes can have a potential two-fold impact on the revenue position, relating to the cost of borrowing through interest payments and repayment of principal and the ongoing revenue costs or benefits of the scheme. Conversely, not undertaking schemes can also have an impact via needing to provide alternative solutions, such as Home to School Transport (e.g. transporting children to schools with capacity rather than investing in capacity in oversubscribed areas).
- 3.2 The Council is required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 2017 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, GPC recommends an advisory limit on the annual financing costs of borrowing (debt charges) over the life of the Plan. In order to afford a degree of flexibility from year to year, changes to the phasing of the limit is allowed within any three-year block (starting from 2015-16), so long as the aggregate limit remains unchanged.
- 3.3 For the 2020-21 Business Plan, the General Purposes Committee (GPC) agreed that this should continue to equate to the level of revenue debt charges as set out in the 2014-15 Business Plan for the next five years (restated to take into account the change to the MRP Policy agreed by GPC in January 2016), and limited to around £39m annually from 2019-20 onwards. GPC are due to set limits for the 2021-22 Business Plan as part of the Capital Strategy review in November.

4. Summary of the draft capital programme

4.1 The revised draft Capital Programme is as follows:

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

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

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

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

4.3 The following table shows how each Service's borrowing position has changed since the 2020-21 Capital Programme was set:

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

4.4 The table below categorises the reasons for these changes:

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

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

- 4.5 These revised levels of borrowing will have an impact on the level of debt charges incurred. The debt charges budget is also currently undergoing thorough review of interest rates, internal cash balances, Minimum Revenue Provision charges and estimates of capitalisation of interest – the results of this will be fed into the next round of committee papers on capital.

5. Overview of People and Communities draft capital programme

- 5.1 The Council has a statutory duty to provide a place for every child whose parents want them educated in a state-funded school, including academies. It also has a duty to secure sufficient childcare places including free early education for all three and four year olds and the most vulnerable two year olds (15 hours per week 38 weeks a year), and to meet the extended entitlement of 30 hours a week (38 weeks a year) free childcare for 3 and 4 year olds whose parents meet the qualifying criteria. This is known as basic need provision. Government funding for the basic need provision of mainstream school places together with S106 receipts (and to a lesser extent Community Infrastructure Levy (CIL)) provide the main funding sources for the P&C five year rolling programme of capital investment. In addition, the government provides funding for maintenance to address school condition needs, which cannot be met by schools from their devolved formula capital (DFC), and for specific initiatives such as the Priority Schools Building Programme. The Department for Education (DfE) determines the basic need capital allocation using data collected each July from the Council's School Capacity (SCAP) return.
- 5.2 The Council has been allocated no Basic Need for 2021-22 based on the Council's SCAP return submitted in July 2019. This takes account of the following:
- The number of new places and additional capacity created up to 2020-2021. During the period 2011-2022, the Council has secured significant Basic need allocations (£165m) through its SCAP return

- After a period of rising birth rates, these have now peaked and declined slightly. These data are now beginning to be reflected in future forecasts of demand for places and the future additional capacity required
- The major driver for additional capacity in the years ahead is housing growth. The assumption in SCAP is the capacity in school places generated by these developments will be fully met through developer contributions; either section 106 or CIL. These places, therefore, do not attract any funding allocation through the annual SCAP return.

Allocations for future years have not yet been announced and the annual SCAP return in the current year (2020) was cancelled because of Covid. However, using the school capacity return principles, officers have estimated that the Council is likely to receive a significantly reduced level of funding than previously anticipated for the 2022-23 financial year and in future years.

5.3 The Capital Programme has undergone a review to determine if schemes can be reduced, amended, removed or delayed in order to help deliver revenue savings through reduced costs of borrowing.

5.4 The results of this review can be summarised as follows:

- Where schemes have already been let to contractors, there is little opportunity to reduce costs further, although there is ongoing work on all schemes to identify value engineering savings which do not compromise the scheme. In addition, it would actually cost the Council more to remove or postpone these schemes due to contract and inflation costs.
- There are a significant number of schemes that are either being delivered in partnership, with the use of grant funding, or as a result of developer contributions. As such, there is little that can be done to amend these schemes.
- Where schemes are being delivered in response to a statutory requirement, it is unlikely that a scheme can be removed but it is possible that the scheme can be delivered in an alternative way, the cost can be reduced or the scheme could be delayed, all of which would provide either temporary (in the case of delay) or long-term revenue benefit to the Council.
- The schemes that have not yet been let to contractors tend to have start dates of 2021-22 and later. As such, they provide no immediate benefit to the revenue position. In addition, the Council's current accounting policies mean that neither Minimum Revenue Provision (MRP) – the cost of repaying borrowing – nor interest costs on borrowing are charged to revenue whilst a scheme is in progress. As these schemes generally taking at least one year to complete, the revenue benefit of removing, delaying or reducing the cost of these schemes would not be realised until at least 2022-23

An Investment Appraisal of each capital scheme (excluding committed schemes and schemes with 100% ring-fenced funding) is undertaken, which allows schemes to be ranked and prioritised against each other.

5.5 The following new schemes have been added to the programme since it was approved by Full Council in February 2020.

Project	Description
Genome Campus(Hinxton) - New Primary	New 1 form entry school (210 places) with 2 form entry core (420 places) and 26 Early Years provision linked to new development.
Manea Primary Expansion	Expansion of 90 places due to local growth
Soham Primary Expansion	Expansion of 1 Form Entry (210 places) & 26 Early Years Places due to local growth
Sawston Primary Expansion	Expansion of 1 Form Entry (210 places) linked to local growth and developments.
Sutton Primary Expansion	Expansion from 330 to 420 places. This includes basic need requirement of 30 places linked to developments and 60 places being made permanent from existing temporary provision.
Waterbeach New Town Primary	New 2 form entry school (420 places) with 3 Form Entry Core (630 places) and 52 place Early Years provision linked to the development of Waterbeach Barracks.
Friday Bridge Expansion	Expansion of 90 places to 1 form entry (210 places). This is to accommodate catchment need.
Duxford Community C of E Primary School Rebuild	Rebuild after fire damage to a significant area of the school.
Sawtry Infants Adaptations	Significant works required to address deficiencies in condition and suitability as a result of a planned larger capital project not progressing.
Soham Secondary Expansion	Expansion of 1 Form Entry (150 places) due to local growth.
Acquisition of playing field land	Acquisition of additional land at Littleport to support future development of the Littleport Education campus
Acquisition of Land North of Cherry Hinton	Acquisition of site for potential new secondary school to provide sufficient places in response to planned housing growth

- 5.6 The following schemes have been identified for proposed removal from the Programme:
- St Ives Site Acquisition

This scheme has been removed as the current occupant decided not to sell. It may be in the future the opportunity presents itself again. If so, a further options appraisal will be undertaken at that time.

- 5.7 The following schemes have experienced changes in Total Scheme Costs. Where an increased cost is showing, this is above inflation.

Scheme	Reason for Change in Scheme Cost
St Ives, Eastfield / Westfield	The original scheme to amalgamate the schools into a new all through primary has not been progressed following a decision by the two governing bodies to maintain separate Infant and Junior schools. There will be a programme of works to both schools in place of this. Cost reduction of £6,510k
Samuel Pepys School	£5,110k increase in costs due to ongoing demand for SEN provision this scheme has been redesigned in order to provide an additional 63 0-19 places along with an additional 19 places for profound and multiple learning difficulties (PMLD) aged 19-25 It will also address ongoing suitability issues for more complex needs.
Northstowe 2 nd Primary	Increased cost of £3,115k due to the scope of the project being expanded to deliver a 3 form entry school (630 place school) with 3 early years classes in a single phase.
WING Development - Cambridge (new primary)	Increased cost of £1,044 as a result of more detailed planning works for the required scheme in order to secure planning approval.
Cromwell Community College	The overall cost of the scheme has increased by £7,115k due to merging the business plan lines for this scheme with the Chatteris new primary. The projects are interlinked as part of the development of an all-through school with a 2-19 age range.

Scheme	Reason for Change in Scheme Cost
Cambourne West secondary	Reduction in cost of £10,200k due to a review of the future demand for secondary school places. The delay of the housing development west of Cambourne has seen the maturing of the existing community in Cambourne and a decline in pupil numbers from their peak. This means that a new 6 FE secondary school (or second campus) with sixth form is no longer required. The revised new 4FE (600 places) requirement and sixth form can be delivered through the expansion of the existing Cambourne VC.
Various low level schemes changes	There are 7 schemes where small changes have been made due to the full allowance for contingency and risk not being required, or small additional costs have arisen. Overall resulting in total cost reduction of £558k

- 5.8 Member are asked to note that the 2021-22 business plan currently does not reflect any additional costs that have arisen due to the Covid-19 pandemic. Work is ongoing with the Council's consultants to scrutinise and agree claims from contractors for those schemes either on site or already tendered at the time of the introduction of the Covid restrictions.

For future schemes, contractors are expected to factor in the current government guidelines within their tenders and adhere to these. Specific Covid clauses are not being included in contracts as the aim is to encourage contractors to submit competitive prices working within the current social distancing framework. However, if there is a change in current guidelines or further national or local lockdowns are required it is likely to increase scheme costs. These will be detailed in the Finance Performance Report for approval initially by the CYP Committee and then General Purposes Committee

- 5.9 The draft programme is set out in detail in Appendix A (Exempt), with anticipated funding sources per scheme for the draft P&C capital programme identified in Table 5 of Appendix A (Exempt). Some schemes are exempt from publication at this point as they have not yet been let to a contractor, so Appendix B had been produced which sets out the anticipated expenditure on those schemes which are non-exempt.

6. Alignment with corporate priorities

- 6.1 A good quality of life for everyone
The Council's investment plans create employment as schools, early years and childcare providers are employers in their own right.

Availability and access to high quality childcare enables parents to take up employment or training that may lead to employment, thus supporting families to be less reliant on Welfare Benefits.

Provision of safe walking and cycling routes minimises the need for children to be transported to and from their early years' or childcare setting or school.

Expansion of settings and schools to meet identified demand in their local or catchment areas minimises the need for children to be transported to and from more distant schools.

6.2 Thriving places for people to live

A number of the schemes in the Children and Young People capital programme provide school places to meet predicted demand from planned housing development. This policy is aimed at directly supporting the establishment and development of new communities.

6.3 The best start for Cambridgeshire's children

Evidence shows that good quality early education and childcare provision makes a significant contribution to a child's attainment and future life chances it also supports their future health and wellbeing.

The Council is committed to ensuring that children and young people with special educational needs and/or disabilities (SEND) are able to attend their local mainstream school where possible, with only those with the most complex and challenging needs requiring places at specialist provision. Where a child or young person requires a specialist placement, the Council's aim is to ensure that this is as close to their family home and community as possible.

6.4 Net zero carbon emissions for Cambridgeshire by 2050

The implications for school buildings of the Council's climate emergency policies are currently being considered as part of the design process for a major schools capital project. This work may have a wider application in the future in meeting this target.

7. Significant Implications

7.1 Resource Implications

The following bullet points set out details of significant implications identified by officers; these are additional to those set out in Section 5.

7.1.1 Since April 2015, S106 has been limited to site/development specific requirements and only what is required to mitigate the impacts of planned development. Any contributions being sought from developers must demonstrate that they are:

- Necessary to make the development acceptable in planning terms;
- directly related to the development; and
- Fairly and reasonably related in scale and kind to the development.

As a result, services are now required to provide far greater detail of projects and costs at an earlier stage than previously to demonstrate the case for funding and to meet the test set out in the CIL regulations. The main implication of this approach is that the Council now needs to invest upfront in feasibility studies, which adds to its costs without there being any

certainty that it will secure developer contributions to offset these.

7.1.2 Where the Council is successful in securing S106 funding this is typically released in two tranches: 10% on commencement of the development and 90% after the occupation of the first 100 houses. In cases where more than one school is required and/or larger schools are to be provided, the trigger points will be agreed to reflect this. To achieve opening a new school to coincide with the requirement for places from the first families moving in, the Council has usually found it necessary to bridge the gap in funding between commencement of the enabling works for the school building and release of the first tranche of S106 funding.

7.1.3 CIL contributions are collected and held by the district councils, at a level set by the individual districts. Each district determines the priorities for use of this funding, which will include other infrastructure requirements as well as Education. As a consequence, the Council faces the prospect of having to fund a higher proportion of the total cost of expanding schools from its available resources,

7.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications. At its next meeting on 10th November this Committee will receive a full report on the options for procurement of school construction projects contained in the capital programme.

7.3 Statutory, Legal and Risk Implications
The following bullet points set out details of significant implications identified by officers:

The vast majority of the schemes within the CYP capital programme are focused on creating additional capacity to provide for the identified need for new places for Cambridgeshire's children and young people in response to demographic need and housing growth. Should the Council not be able to proceed with these projects as planned, the only alternatives available to it would be:

- Provision of mobiles in place of permanent accommodation. Although it must be recognised that planning applications for mobiles are subject to the same rigorous process as permanent build applications and are usually only granted for between 3 to 5 years. In addition, the Council would be unable to secure Basic Need funding from the DfE to replace the mobiles with permanent accommodation as it would deem that the Council had already met the Basic Need requirement for places.
- Provision of free transport to alternative, more distant schools whilst those children remain of statutory school age. Where it proves necessary to transport children to more than one school, this would have the effect of fragmenting the community, as well as increasing revenue costs.
- Phasing of projects. Although it must be recognised that this has cost implications in that construction tender price inflation is increasing rapidly.

7.4 Equality and Diversity Implications
The following bullet points set out details of significant implications identified by officers:

- Take up of free early years education for 2, 3 and 4 year olds supports school readiness on entry to statutory education (Reception) and contributes to improved outcomes for children. Free early education for two year olds is targeted at families on low incomes, those who are Looked After and those whose parents are in the Forces.

- All accommodation, both mobile and permanent has to be compliant with the provisions of the Public Sector Equality Duty and current Council standards.

7.5 Engagement and Communications Implications

The following bullet points set out details of significant implications identified by officers:

- Significant levels of engagement and consultation take place with all schools and early years settings identified for potential expansion to meet the need for places in their local areas over the development and finalisation of those plans. Schemes are also presented to local communities for comment and feedback in advance of seeking planning permission.
- Any decision to change the scale or scope of those plans in order to reduce capital costs would need to be communicated to the affected schools individually as a matter of urgency in order to avoid the potential of them hearing about this from third parties.

7.6 Localism and Local Member Involvement

The following bullet points set out details of significant implications identified by officers:

- Through its commissioning role, the Council ensures that:
 - those private, voluntary and independent providers who tender to establish and run new early years and childcare provision understand the local context in which they will operate, should they be successful in being awarded contracts by the Council;
 - potential sponsors who apply to establish and run new schools understand the local context in which they will operate, should their applications be approved for implementation by the Regional Schools' Commissioner and the Secretary of State for Education;
- Local Members are:
 - kept informed of planned changes to provision in their wards and their views sought on emerging issues and actions to be taken to address these;
 - invited to participate in the assessment of potential sponsors' proposals to establish and run new schools in the county in response to the Council's identified published need for new schools to meet its basic need requirements.

7.7 Public Health Implications

There are no significant implications within this category

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Kerry Newson

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? No

Name of Legal Officer:

Have the equality and diversity implications been cleared by your Service Contact? Yes

Name of Officer: Jonathan Lewis

Have any engagement and communication implications been cleared by Communications?
No

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes
Name of Officer: Jonathan Lewis

Have any Public Health implications been cleared by Public Health? No

5. Source documents

5.1 Source documents

Business Plan 2020/21
Letter from Lord Agnew re: Basic Need Allocations
Pupil forecast data 5.2 Location

5.2 Location

0-19 Place Planning & Organisation Service
Second Floor
Octagon
Cambridge
CB3 0AP

6. Appendices

- 6.1 Exempt Appendix A – Draft Capital Programme 2021/22. Exempt from publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, in that it would not be in the public interest for this information to be disclosed - information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 6.2 Appendix B - Draft Capital Programme 2021/22 (public). An accessible version of this appendix is available on request from ian.trafford@cambridgeshire.gov.uk