

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

**To:** Highways & Community Infrastructure Committee

**Meeting Date:** 9<sup>th</sup> October 2018

**From:** Executive/Corporate Director, Place and Economy  
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 Place and Economy

**Recommendation:**

- a) It is requested that the Committee note the overview and context provided for the 2019-20 Capital Programme for Place and Economy
- b) It is requested that the Committee comment on the draft proposals for Place and Economy's 2019-20 Capital Programme and endorse their development

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## **1. CAPITAL STRATEGY**

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

## **2. DEVELOPMENT OF THE 2019-20 CAPITAL PROGRAMME**

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

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

### **3. REVENUE IMPLICATIONS**

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

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

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

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

- 4.1 The revised draft Capital Programme is as follows:

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

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

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

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

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

Service Block	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Yrs £'000
People and Communities	-1,237	14,890	10,673	1,152	5,741	7,981	-1,268
Place and Economy	17,839	3,848	353	78	-2,563	-4,396	551
Corporate and Managed Services	-3,106	443	-459	-459	-	-	-
Commercial and Investment	39,581	37,391	12,942	-11,251	2,706	2,338	19,170
Corporate and Managed Services – relating to general capital receipts	-	-	-	-	-	-	-
<b>Total</b>	<b>53,077</b>	<b>56,572</b>	<b>23,509</b>	<b>-10,480</b>	<b>5,884</b>	<b>5,923</b>	<b>18,453</b>

4.4 The table below categorises the reasons for these changes:

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

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

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

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

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

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

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

- 4.8 Although the limit 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 PLACE AND ECONOMY's DRAFT CAPITAL PROGRAMME

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

Capital Expenditure	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Later Yrs £'000
Place & Economy	33,203	19,681	19,109	18,768	15,114	16,800

- 5.2 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	16,547	18,043	18,066	18,081	18,218	20,370
Contributions	7,400	253	762	767	812	8,490
Borrowing	9,256	1,385	281	-80	-3,916	-12,060
<b>Total</b>	<b>33,203</b>	<b>19,681</b>	<b>19,109</b>	<b>18,768</b>	<b>15,114</b>	<b>16,800</b>

- 5.3 The full list of P&E capital schemes is shown in the draft capital programme at appendix one. Table 4 lists the schemes with a description and with funding shown against years. Table 5 shows the breakdown of the total funding of the schemes, for example whether schemes are funded by grants, developer contributions or prudential borrowing.

- 5.4 Papers on the individual schemes have been, or will be, considered separately by the appropriate Service Committee.

### 5.5 Changes to Existing Capital Schemes

- 5.5.1 Changes to existing schemes, such as rephasing, re-costing, and revised funding are highlighted below. The Integrated Transport Schemes apply to both Economy and Environment Committee and Highways and Community Infrastructure Committee, so those are listed first. Following that, items are grouped by Service Committee.

### 5.6 Integrated Transport Schemes

- 5.6.1 This area is mainly funded by Local Transport Plan grant funding from the Department for Transport. The assumption is made that funding that now goes via the Combined Authority will now be passported across to Cambridgeshire. There is no change from the 2018-19 Business plan. Some of these schemes are further enhanced by the use of S106 developer contributions.

## **5.7 Economy and Environment Committee**

### **5.7.1 Ely Crossing**

This scheme is due to be completed in October 2018. There will only be residual costs for this scheme in 2019/20

### **5.7.2 King's Dyke**

This scheme is mainly funded by grant and other partner contributions but Committee has been made aware that there is already a £3.1m shortfall, and this shortfall is going to further increase (Committee report in October). Discussions are taking place with Partners as how to fund the total shortfall.

### **5.7.3 Soham Station**

This scheme has been removed from the CCC Capital programme as it is expected to be taken on (and funded) by the Combined Authority.

## **5.8 Highways and Community Infrastructure Committee**

### **5.8.1 Highways Maintenance**

This is the £90m programme of work to enhance the highways network agreed some years ago. This was originally programmed to be done over 5 years but the number of years was extended to best match the Highways Asset Plan. The budget was reduced from £6m to £4.3m a year in 2018/19 and the remaining years to take account of efficiencies in the new Highways contract. All of this work is funded by prudential borrowing and funding tails off in 2022-23. This funding has been critical to keep the road network up to an acceptable standard. There will be a new business case submitted to extend this funding but the funding relationship with the Combined Authority needs to be clarified. Although we have been fortunate in receiving further DfT grants for pothole funding, challenge fund and safer roads fund, this has been for specific schemes or to maintain infrastructure damaged by abnormal weather.

### **5.8.2 Waste – Household Recycling Centre (HRC) Improvements**

The current budget is based on the need to replace 2 household recycling centres, this is funded by a mixture of S106 developer contributions and borrowing. Further work is taking place to identify the need for these new sites in the light of the overall Council's financial position. Also for one of the sites, there is an adjacent waste site for which it is expected the operator will be looking for planning permission to extend the life of the site, which would probably delay the need for the County Council to replace their existing site.

### **5.8.3 Development of Archives Centre premises**

The new Archives centre in Ely expected to be completed by mid-2019. There is a requirement from the National Archive Office to have a purpose built archives facility and this scheme was delayed but is now underway.

## **5.9 Overview of new schemes including justification**

### **5.9.1 Libraries – Open access & touchdown facilities**

The introduction of Open Access (self-service) technology is to maximise the use of our library properties supporting the Cambs 2020 hub and spokes approach with staff increasingly operating in localities. Open access will

extend the times libraries are open to our communities and enable Council, public sector and partner agency staff, particularly peripatetic staff, to increasingly use libraries as touchdown and meeting sites, in line with the objectives of One Public Estate. This will provide open access in 9 hub libraries and equipment/furnishings to ensure fit for purpose accessible touchdown facilities and digital access across the library network.

## **6. ALIGNMENT WITH CORPORATE PRIORITIES**

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

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

- Investing in key infrastructure schemes will promote growth in the number of jobs in our area and thus growth of the economy.
- Transport schemes are critical in allowing people to get around effectively and efficiently and to access work and other facilities they need.

### **6.2 Helping people live healthy and independent lives**

See wording under 6.1 above.

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

See wording under 6.1 above.

## **7. SIGNIFICANT IMPLICATIONS**

### **7.1 Resource Implications**

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

- There may be revenue implications associated with operating new or enhanced capital assets but equally capital schemes can prevent the need for other revenue expenditure.
- The overall scale of the capital programme has been reduced to limit the impact on the Council's revenue budget and this in turn will have beneficial impacts on the services that are provided from that source

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

There are no significant implications within this category.

### **7.3 Statutory, Risk and Legal Implications**

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

- Regulations for capital expenditure are set out under Statute. The possibility of capital investment, from these accumulated funds, may ameliorate risks from reducing revenue resources.



- At this stage, there are no proposals with significant risk arising from “pay-back” expectations.

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

There are no significant implications within this category.

#### **7.5 Engagement and Consultation Implications**

The following bullet point sets out details of significant implications identified by officers:

- Consultation is continuous and ongoing between those parties involved to ensure the most effective use of capital funding.

#### **7.6 Localism and Local Member Involvement**

The following bullet point sets out details of significant implications identified by officers:

- Local Members will be engaged where schemes impact on their area and where opportunities for strategic investment arise.

#### **7.7 Public Health Implications**

The following bullet point sets out details of significant implications identified by officers:

- Strategic investment in some of the schemes outlined may have potential to improve Public Health outcomes. This includes schemes that encourage active travel through cycling, walking and use of public transport.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Officer: Sarah Heywood
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?</b>	Yes or No Name of Officer: Paul White
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	Yes Name of Legal Officer: Lynne Owen
<b>Are there any Equality and Diversity implications?</b>	Yes or No Name of Officer: Christine May
<b>Have any engagement and communication implications been cleared by Communications?</b>	Yes Name of Officer: Sarah Silk
<b>Are there any Localism and Local Member involvement issues?</b>	Yes or No Name of Officer: Christine May

<b>Have any Public Health implications been cleared by Public Health</b>	Yes or No Name of Officer: Tess Campbell

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