Section 7 – Capital Strategy

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1: Introduction

This Capital Strategy describes how the Council's investment of capital resources in the medium term will optimise the ability of the authority to achieve its overriding vision and priorities. It represents an essential element of the Council's overall Business Plan and is reviewed and updated each year as part of the Business Planning Process.

The Strategy sets out the approach of the Council towards capital investment over the next ten years and provides a structure through which the resources of the Council, and those matched with key partners, are allocated to help meet the priorities outlined within the Council's Strategic Framework. It is also closely related to, and informed by, the Cambridgeshire Public Sector Asset Management Strategy. It is concerned with all aspects of the Council's capital expenditure programme: planning; prioritisation; management; and funding.

2: Vision and priorities

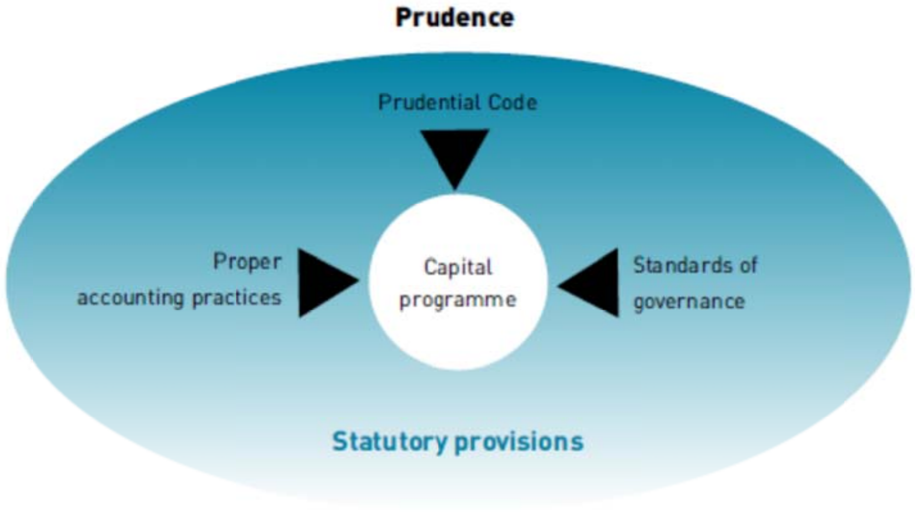
The Council achieves its vision of *"Making Cambridgeshire a great place to call home"* through delivery of its Business Plan. To assist in delivering the Plan the Council needs to provide, maintain and update long term assets (often referred to as 'fixed assets'), which are defined as those that have 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. Fixed assets are shaped by the way the Council wants to deliver its services in the long term and they create future financial revenue commitments, through capital financing and ongoing revenue costs.

3: Operating 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 a number of 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 framework is based on the following foundations:



4: Capital Expenditure

Capital expenditure, in accordance with proper practice (as defined by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2012-13) results in the acquisition, creation or enhancement of fixed assets with a long term value to the Council. If expenditure falls outside of this scope[1], it will instead be charged to revenue during the year that the expenditure is incurred. It is therefore crucial that expenditure is analysed against this definition before being included within the Capital Programme to avoid unexpected revenue charges within the year. A guide to what can and cannot be included within the definition of capital expenditure is provided in Appendix 1.

The Council applies a self-determined de minimus limit of £20,000 for capital expenditure. Expenditure below this limit should be expensed to revenue in the year that it is incurred. However, as the de minimus is self-imposed, the Code does allow for it to be overridden if the authority wishes to do so.

All capital expenditure should be undertaken in accordance with the financial regulations; the Scheme of Financial Management, the Scheme of Delegation included within the Council's Constitution, the Contract Procedure Rules and the Finance Management Arrangements for Services.

[1] In addition, expenditure can be classified as capital in the unlikely scenario that:
- It meets one of the definitions specified in regulations made under the 2003 Local Government Act;
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

5: Capital funding

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

Earmarked Funding	Central Government and external grants
	Section 106 (S106), Community Infrastructure Levy (CIL) and external contributions
	Private Finance Initiative (PFI) / Public Private Partnerships (PPP)
Discretionary Funding	Central Government and external grants
	Prudential borrowing
	Capital receipts
	Revenue funding

Explanation of, and further detail on, these funding sources is provided in Appendix 2.

The Council will only look to borrow money to fund a scheme either to allow for cashflow issues for schemes that will generate payback (via either savings or income generation), or if all other sources of funding have been exhausted. Therefore in order to facilitate this, 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.

6: Working in partnership

The Council is committed to working with partners in the development of the County and the services within it. There are various mechanisms in place that provide opportunities to enhance the investment potential of the Council with support and contributions from other third parties and local strategic partners.

The Making Assets Count (MAC) programme is one of the key partnerships in relation to the overarching Capital Strategy, and allows partners, including the district councils and the Fire and Rescue Service, to effectively collaborate on strategic asset management and rationalise the combined operational property estate within the County.

A key document is the Local Transport Plan, which is produced in partnership with the city and district councils. There has been a strong working relationship for many years in this area, which has succeeded in bringing together the planning and transport responsibilities of these authorities to ensure an integrated approach to the challenges facing the County.

The Council continues to work with partners and stakeholders to secure commitment to delivery, as well as funding contributions for infrastructure improvements, in order to support continued economic prosperity. For example, the Council has been working with the Greater Cambridge / Greater Peterborough Local Enterprise Partnership (LEP) plus the New Anglia LEP and the South East Midlands LEP, as well as neighbouring local authorities, the city and district councils and the Department for Transport to agree a funding package for improvements to the A14 between Cambridge and Huntingdon. The Council will continue with this approach where infrastructure improvements are shown to have widespread benefits to our partners.

The Greater Cambridge / Greater Peterborough Local Enterprise Partnership (LEP), is becoming a key mechanism for distributing Central Government and European funding in order to drive forward and deliver sustainable economic growth, through infrastructure, skills development, enterprise and housing. The LEP strives to do this in partnership with local businesses, education providers and the third sector, as well as the public sector including the Council. In order to drive forward economic growth, Central Government is creating a Single Local Growth Fund (SLGF) from 2015-16 from which LEPs can use a Strategic Economic Plan to bid for a share of £2 billion funding.

The Council is working closely with Cambridge City Council, South Cambridgeshire District Council, Cambridge University and the LEP to negotiate a City Deal with Central Government, which if successful, could create additional powers and (potentially) control of future revenue streams to the local area. The City Deal would enable the Council and its partners to retain more of the tax dividends from growth within the County than the current system allows. This would then be used to support borrowing for major transport schemes on the scale needed to upgrade Greater Cambridge's transport infrastructure, as well as enable delivery of high quality new communities.

Due to the introduction of the Community Infrastructure Levy (CIL) on all but large scale developments, the Council will also be working more closely with the city and district councils on the creation of the new infrastructure needed as a result of development. CIL works by levying a charge per net additional floorspace 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 set to continue for large developments).

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 the County Council 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.

Examples of specific capital schemes currently being delivered in partnership include;

- Rolling out and exploiting better broadband infrastructure across the County; with Peterborough City Council, the district councils, the Local Enterprise Partnership, local businesses and the universities;
- Building the Cambridge Science Park Station; working with Central Government and Network Rail; and
- MAC projects, including delivery of a Joint Operations Centre for public sector partners in the south of Cambridgeshire (co-locating highway, ground and housing maintenance, fleet servicing and vehicle storage operations services), and creation of a public property partnership (joint venture) to deliver property-related benefits in key market towns, including public services, housing, retail and regeneration. Both these projects will be delivered in conjunction with the MAC partners.

7: Asset management

The Council's Capital Strategy inevitably has strong links to the Council's Asset Management Strategy, which provides detail on the framework for operational asset management; this includes defining the principles which guide asset management, its role in supporting service delivery, why property is retained, together with the policies, procedure and working arrangements relating to property assets.

The 2011-2021 Cambridgeshire Public Sector Asset Management Strategy, led by the Making Assets Count Programme, is an innovative and sector-leading document that considers the combined property portfolio of the public sector in Cambridgeshire as a single strategic resource for service delivery.

The Strategy allows partners to effectively collaborate on strategic asset management and rationalise the combined operational property estate. It ensures that property assets and resources are used efficiently and effectively to support the delivery of services to all communities across Cambridgeshire.

The aim of the Strategy is that delivery of the Asset Management Action Plan, through pooling of assets across the public sector in Cambridgeshire, will contribute towards:

- Reducing costs
- Co-locating front and/or back-office services
- Reducing carbon emissions
- Increasing returns on capital
- Opening up investment opportunities
- Improving service delivery to communities
- Taking advantage of lease breaks
- Selling poor quality and surplus estate
- Producing regenerative town centre schemes
- Ensuring opportunities are not lost to the public sector by unilateral decision making by partners

The Capital Strategy also has strong links with the Council's Local Transport Plan (LTP), adopted in March 2011 and covers the period 2011-2026. The Plan sets out the existing and future transport issues for the County, and how the Council will seek to address them.

The LTP demonstrates how the Council's policies and plans for transport contribute towards the vision of the Council, whilst setting a policy framework to ensure that planned, large-scale development can take place in the County in a sustainable way, as well as enabling the Council to take advantage of opportunities that may occur to bring in additional or alternative funding and resources.

The Plan highlights the following eight challenges for transport, as well as the strategy for addressing them:

- Improving the reliability of journey times by managing demand for road space, where appropriate and maximising the capacity and efficiency of the existing network
- Reducing the length of the commute and the need to travel by private car
- Making sustainable modes of transport a viable and attractive alternative to the private car
- Future-proofing the Council's maintenance strategy and new transport infrastructure to cope with the effects of climate change
- Ensuring people – especially those at risk of social exclusion – can access the services they need within reasonable time, cost and effort wherever they live in the County
- Addressing the main causes of road accidents in Cambridgeshire
- Protecting and enhancing the natural environment by minimising the environmental impact of transport
- Influencing national and local decisions on land-use and transport planning that impact on routes through Cambridgeshire

8: External environment

The Council uses a mixture of funding sources to finance its Capital Programme. The recent downturn in the housing and property market means that development has remained slow and land values are still low. Over the last few years this has negatively affected the ability of the Council to fund capital investment through the sale of surplus land and buildings, or from contributions by developers. However, recent indications are showing more activity in the market which could lead to increased land values and developer contributions.

Developer contributions will be further impacted in future years by the introduction of CIL, which 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 also expects that a much lower proportion of the cost of infrastructure requirements will be met by CIL contributions. East Cambridgeshire District Council is currently the only district within Cambridgeshire to have adopted CIL – Cambridge City Council and South Cambridgeshire are due to implement in April 2014. In addition, from 2014 it will not be possible to pool more than five developer contributions together on any one scheme, further reducing funding flexibility.

Central Government and external capital grants have also been heavily impacted during the last few years, as the Government has strived to deliver its programme of austerity. However, at the start of the planning cycle it was anticipated that overall capital grant reductions were set to plateau from 2015-16, in line with the policy of capital investment to aid the economic recovery.

The Minister of State for Schools announced alongside the Local Government Finance Settlement that all new school places will be fully funded, and that longer-term capital allocations will be made in order to aid planning when addressing the issue of increasing numbers of school-aged children. However, the new methodology used to distribute funding for additional school places does not appear to reflect this commitment as although Cambridgeshire's provisional allocation for 2014-15 is as anticipated, the allocation of £4.4m across the period 2015-16 to 2016-17 is £32m less than the Council's current budget estimates for those years. Almost all of this loss relates to funding for demographic pressures and new communities i.e. infrastructure that we have a statutory responsibility to provide and therefore have limited flexibility in reducing costs for these schemes. Given the growth the County is facing, it is difficult to understand these allocations and the Council will be responding accordingly as part of the consultation process.

The mechanism of providing funding is also set to change significantly in some areas. In order to create the new Single Local Growth Fund (SLGF) from 2015, Central Government has announced that it will be top-slicing numerous existing grants, including transport funding, education funding and revenue funding such as the New Homes Bonus. Therefore, although the LEP is currently developing a funding bid from the SLGF, the Council is also expecting its transport allocations to be maintained at levels consistent with the 2011 allocations, rather than increase. Therefore, receiving any increase in major transport schemes funding is dependent on the success of the SLGF bid.

At the same time as external funding is reducing, the County continues to grow. This places additional strain on our infrastructure through higher levels of road maintenance, increased pressure on the transport network, a rise in the demand for school places, a shortage of homes and additional need for libraries, children's centres and community hubs.

Central Government have signed a Memorandum of Understanding regarding the City Deal bid, demonstrating their commitment to delivering the deal. Details of the scheme are still being negotiated, however the scheme should deliver a step change in investment capability, a higher rate of growth in jobs and homes with benefits for the whole County and the wider LEP area. There will be a changed set of governance arrangements for Greater Cambridge, allowing the County, Cambridge City Council and South Cambridgeshire District Council to pool funding and powers in a form of 'combined authority', which will deliver a more joined-up and efficient approach to the key economic issues facing this rapidly-growing city region. More details should be announced as part of the Budget 2014.

Therefore, as with the revenue position, the external operating environment poses a significant challenge to the Council as it determines how to invest in order to meet its vision and priorities, whilst facing reduced levels of funding and increasing demands on its infrastructure.

9: Development of the Capital Programme

The Council operates a five year rolling revenue budget, and a ten year rolling capital programme (increased from five years as part of the 2014-15 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.

The process of developing the Programme during each planning cycle has varied over the last few years, influenced by the external environment and the Strategic Framework priorities of the period. As part of the 2014-15 planning process, the Council has implemented a structured framework within which to develop the Capital Programme, which is not influenced by these factors (but instead allows them to be taken into account during development of the Programme).

New schemes for inclusion in the Programme are developed by the Service (in conjunction with Finance) in line with the priorities of the Strategic Framework. As stated in the financial regulations, any new capital scheme costing more than £150,000 is appraised as to its financial, human resources, property and economic consequences. The justification and impacts, as well as the expenditure and funding details of these schemes are specified in a Capital Investment Proposal (see pro forma in Appendix C) which functions as a high level Business Case. 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 alternatives methods of delivery have been investigated in order to meet the relevant needs and priorities of the Council.

An Investment Appraisal of each capital scheme (excluding schemes with 100% ring-fenced funding) is undertaken/revised as part of the Investment Proposal, which allows the scheme to be scored against a weighted set of criteria such as strategic fit, business continuity, joint working, investment payback and resource use (see Appendix 4 for specific details of the criteria). This process allows schemes 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 priorities.

Strategic Management and Council Members review the prioritisation analysis and officers undertake any reworking and/or rephrasing of schemes as required to ensure the most efficient and effective use of resources deployed. The Capital Programme is subsequently agreed by Cabinet and recommended to Full Council as part of the overarching Business Plan.

A summary of the Capital Programme can be found in the Budget Strategy section of the Business Plan, with further detail provided by each Service within their individual finance tables (Section 4).

10: Revenue implications

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 costs 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. Both the borrowing costs and ongoing revenue costs/savings of a scheme are taken into account as part of the Investment Appraisal of a scheme, and therefore the prioritisation process.

In addition, the Council is required by CIPFA's Prudential Code for Capital Finance in Local Authorities 2011 to ensure that it undertakes borrowing in an affordable and sustainable manner. In order to ensure that it achieves this, the long term cost of borrowing, in relation to both previous schemes and the newly proposed Capital Programme, is scrutinised fully by both Strategic Management and Council Members. If the long term cost of borrowing is deemed to be too high then the Council will look to either re-work schemes in order to reduce borrowing levels, or limit the number of schemes included within the Programme according to the ranking of schemes within the prioritisation analysis.

Invest to Save and Invest to Earn schemes are schemes that generate revenue savings, income or capital receipts and will be self-funded in the medium term. However, if the scheme requires borrowing in the short term there will be a revenue cost to this as with all other schemes funded by borrowing. Therefore, these schemes will be included in the scrutiny of financing costs in order to ensure revenue funding for direct service delivery is protected. However, it is expected that these schemes should be a high priority due to their payback; therefore this is reflected in the Investment Appraisal weighting for this particular category.

Invest to Save and Invest to Earn schemes 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.

11: Managing the Capital Programme

The Capital Programme is monitored in year through monthly reporting, incorporated into the Integrated Resources and Performance Report. Services monitor their programmes using their monthly Finance and Performance reports, which then feed into the Integrated Report. This is submitted to the Strategic Management Team and is subsequently reviewed by Cabinet. The report identifies changes to the Capital Programme to reflect and seek approval for;

- new / updated resource allocations;
- slippage or brought forward programme delivery;
- increase / reduction in overall scheme costs; and
- virements between schemes to maximise delivery against the priorities of the Council's.

It is inevitable that new demands and pressures will be identified by the Council on an ongoing basis, however as far as is possible addressing these requirements is undertaken as part of the next Business Planning Process, in line with Regulation 4.4 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 (i.e. because the scheme is required to start within the current financial year, or the following financial year if it is too late to be included within the current Business Plan).

As with the Business Planning Process, any new schemes costing more than £150,000 will be appraised as to the financial, human resources, property and economic consequences before detailed estimate provision is made. The appraisal will be prepared in consultation with, and with the agreement of, the Head of Finance. The report will be taken to the Strategic Management Team by the relevant Director and Chief Finance Officer, before any request for a supplementary estimate is put to Cabinet.

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 in the Finance Management Arrangements for Services, up to the upper limit of £250,000 by the Chief Finance Officer. Anything above this limit will be dealt with in line with the process for new schemes, and will be taken to Cabinet for approval as part of the monthly Integrated Resources and Performance Report.

Any over spends, 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.

12: Summary of the 2014-15 Capital Programme

Major new investments underway, or planned include:

- Major road maintenance (£90m)
- Ely Crossing (£31m)
- Cambridge Science Park Station (£30m)
- Rolling out superfast broadband (£30m)
- A14 Upgrade (£25m)
- Housing provision (£18m)
- Northstowe (£15m)
- King’s Dyke Crossing (£14m)
- Development of Archives Centre premises (£12m)
- Renewable Energy (£10m)
- Providing for demographic pressures regarding new schools and children’s centres (£560m – over ten years)

The 2014-15 ten year Programme worth £988m is currently estimated to be funded through £586 million of external grants and contributions, £63 million of capital receipts and £308 million of borrowing. There is a funding shortfall included for 2015-16 and 2016-17 of £30m (reduced from £32m due to carrying forward some grant from 2014-15) as a result of the provisional Basic Need allocation, which is currently being challenged. The related revenue budget to fund capital borrowing is forecast to spend £35 million (7% of annual gross budget excluding schools) in 2014-15, increasing to £46 million (9%) by 2018-19.

The Capital Programme includes the following Invest to Save / Invest to Earn schemes:

Scheme	Total Investment (£m)	Total Net Return (£m)
Housing provision (primarily for rent) on CCC portfolio	17.5	16.4
Renewable Energy	10.2	10.2
MAC Public Property Partnership & Market Towns Project	7.0	9.4
Central Library	0.3	4.3
Disposal / Relocation of Huntingdon Highways Depot	1.6	3.6
Street Lighting – Central Management System	1.5	1.7
Solar PV	0.3	0.3
MAC Joint Operations Centre	3.2	0*
County Farms Investment	5.0	0*

*Schemes expected to break-even, however additional returns are not yet quantifiable.

Appendix 1: Allowable capital expenditure

Financial regulations proscribe certain costs from being capitalised, in particular administrative and other general overheads, together with employee costs not related to the specific asset (such as configuration and selection activities). Authorities are also required to write off any abnormal costs that arose from inefficiencies (such as design faults, theft of materials etc).

The following table provides some examples of what can and cannot be capitalised. The examples should be regarded as illustrative rather than definitive – interpretation of accounting rules requires some subjective judgement that will be affected by the specific circumstances of each project.

Item of expenditure	Capital or Revenue?
Feasibility studies	**Revenue**. Until a specific solution has been decided upon, costs cannot be directly attributable to bringing an asset into working condition. This includes all costs incurred whilst deliberating on any issues, scoping potential solutions, choosing between solutions and assessing whether resources will be available to finance a project. However, feasibility studies can be capitalised if they occur after a decision has been made to go ahead with a particular option i.e. if they are directly attributable in bringing an asset closer to a working (or enhanced) condition.
Demolition of an existing building	**Capital**. Demolition would usually be an act of destruction that would be charged to revenue; however if the costs incurred are necessary in preparing a site for a new scheme, it can be argued that they are an integral part of the new works.
Costs of buying out sitting tenants of existing building	**Capital.** Similar to demolition costs, this would help prepare a site in its existing condition for the new works.
Initial delivery and handling costs	**Capital**. Required to bring the asset closer into working condition.
Costs of renting alternative accommodation for staff during building works	**Revenue**. All costs incurred in carrying out the regular business of the authority whilst construction is underway make no direct contribution to the value of the asset.
Site security during construction	**Revenue**. Although this activity protects the investment during construction, it does not enhance it.
Installation and assembly costs	**Capital**. Required to bring the asset closer into working condition.
Testing whether the asset is functioning properly	**Capital**. Required to bring the asset closer into working condition.
Rectification of design faults	**Capital**. Required to bring the asset closer into working condition. However, the previous expenditure incurred on the defective work would need to be written off to revenue.
Liquidated Damages	**Revenue**. Paying out damages as compensation for breaching a contract does not enhance the value

	of the asset.
Furniture and fittings	**Capital – but often revenue for CCC**. Items required to bring an asset into working condition are often capitalised as part of the overall cost of the scheme, even if such items fall below the de minimus limit of the authority. However, the Council's policy is to not capitalise equipment, therefore if the purchase is outside of an overarching property scheme, then the costs will be revenue. The downside of capitalisation is that it will not be possible to justify future replacement of furniture and fittings as being capital.
Training and familiarisation of staff	**Revenue**. The asset will be regarded as being in working condition, irrespective of whether anyone in the authority can use it.
Professional fees	**Capital**. But only to the extent that the service provided makes a contribution to the physical fabric of the new construction (e.g. architecture design) or the work required to bring the property into working condition for its intended use (e.g. legal advice in preparation of building contracts).
Finance and Internal Audit staff costs	**Revenue**. These costs are generally incurred for governance reasons, rather than enhancing the value of the asset.

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 Asset Management 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 (normally highways and education) required as a result of development. Capital schemes undertaken in new development areas are currently either completely or mostly funded by the S106 agreement negotiated with developers. The Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area that will replace a large proportion of S106 agreements once it comes into force. Other external contributions are made by a variety of organisations such as district councils, often contributing towards jointly funded schemes.

Private finance initiative (PFI) / Public private partnerships (PPP)

The Council makes 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. The Coalition Government has announced that this form of capital finance will be redesigned to provide improved value for money.

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. 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 Statement (Section 8 of the Business Plan).

Revenue Funding

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

Appendix 3: Investment proposal (abbreviated)

Reference	
Title	
Proposal Description	
Active/Rejected Proposal	Active Rejected
Planning Cycle	2012-13 2013-14 2014-15
Responsible Officer	
Lead Portfolio Holder	
Service Area	CFA ETE CS Financing Debt Charges LGSS Public Health
Status	New Existing Modified
Budget Type	Revenue Capital
Proposal Type	Technical Finance Adjustment Inflation Demography and Demand Pressures Investments Savings
	Fees, Charges & Ring-Fenced Grants Funding
Justification	
Supporting Information Link	
Internal Impact	
External Impact	
Consultation and Engagement	
CIA Link	
Communications	
14-15 Staffing Increases	
15-16 Staffing Increases	
16-17 Staffing Increases	
17-18 Staffing Increases	

18-19 Staffing Increases	
14-15 Staffing Reductions	
15-16 Staffing Reductions	
16-17 Staffing Reductions	
17-18 Staffing Reductions	
18-19 Staffing Reductions	
:: FINANCE SECTION ::	
14-15 Revenue Increase	
15-16 Revenue Increase	
16-17 Revenue Increase	
17-18 Revenue Increase	
18-19 Revenue Increase	
14-15 Revenue Savings	
15-16 Revenue Savings	
16-17 Revenue Savings	
17-18 Revenue Savings	
18-19 Revenue Savings	
Demography Adjustments	
Capital Scheme Category	CFA – Primary – New Communities CFA – Primary – Demographic Pressures CFA – Primary – Adaptions CFA – Secondary – New Communities CFA – Secondary – Demographic Pressures CFA – Secondary – Adaptions CFA – Schools - Scheme Final Payments CFA – Building Schools for the Future CFA – Devolved Formula Capital CFA – Condition, Maintenance & Suitability CFA – Site Acquisition & Development CFA – Temporary Accommodation CFA – Short Breaks for Disabled Children & Social Care Minor Works CFA – Youth Service CFA – Children Support Services CFA – Adults Social Care CS – Corporate Services CS – Effective Property Asset Management CS – Other LGSS Managed ETE – Integrated Transport ETE – Operating the Network ETE – Infrastructure Management & Operations ETE – Strategy & Development ETE – Other Schemes ETE – Libraries, Archives & Information LGSS – LGSS Operational
Capital Scheme Start Year	Committed Ongoing 2014-15 2015-16 2016-17 2017-18 2018-19

	2019-20 2020-21 2021-22 2022-23 2023-24
Capital Investment Appraisal Score	
Capital Investment Appraisal Link	
Capital Timing Flexibility	
13-14 Capital Investment	
14-15 Capital Investment	
15-16 Capital Investment	
16-17 Capital Investment	
17-18 Capital Investment	
18-19 Capital Investment	
19-20 Capital Investment	
20-21 Capital Investment	
21-22 Capital Investment	
23-24 Capital Investment	
13-14 Capital Savings	
14-15 Capital Savings	
15-16 Capital Savings	
16-17 Capital Savings	
17-18 Capital Savings	
18-19 Capital Savings	
19-20 Capital Savings	
20-21 Capital Savings	
21-22 Capital Savings	
22-23 Capital Savings	
23-24 Capital Savings	
Link to Capital Funding Template	

Appendix 4: Capital investment appraisal

PRIORITISATION SCORE SHEET

The available points have been allocated to the criteria in an attempt to "weight" them in terms of their relative priority to the Council. (The scoring system will be reviewed in use and if changes are needed then these will be implemented).

Scheme Reference:	
Scheme Title:	
Service:	
Category:	
Contact Name:	

Ref	Weight-ing	Criteria	Scoring (points in brackets)	Score	Justify your score - refer to Guidance Notes	Guidance Notes
		Strategic				
1	16	Meets Strategic Framework Priorities	No. of themes addressed: (2) points per theme up to a maximum of (16)			Which of the Strategic Framework Themes does this project meet?
2	15	Bold Economic Investment	No (0); Yes (15)			If appropriate, describe how the investment qualifies as a Bold Economic Investment – a major scheme of importance in Cambridge and Cambridgeshire, particularly in respect to economic growth.
		Risk Management / Continuity of Service				
3	5	Complies with Asset Management Strategy	No (0); Yes (5)			Is this an Asset Management Strategy priority i.e. is the project in accordance with the KEY asset management principles detailed in the Cambridgeshire Public Sector Asset

						Management Strategy adopted by CCC Cabinet 25 October 2011?
4	15	Urgency of investment in order to meet statutory obligations (e.g. Accessibility, Health & Safety, Education Act, NHS and Community Care Act, etc.)	Statutory obligation (15); No statutory obligation (0)			If the project will help meet and address a statutory obligation, including Health and Safety and emergency repairs, please specify the urgency of the requirement and describe the circumstances.
5	10	Mitigating current / avoiding future business interruption, including service delivery	Risk Assessed as: Red (10); Yellow/Brown (5); Green (0)			Is the investment in this project based on current business/service interruption or risk of future interruption? If so briefly describe the nature of the interruption / risk and indicate the impact and probability score assessed.
		Promotes Partnership / Joint Working				
6	5	External, cross-cutting partnership benefits - with public, private or voluntary sector	No (0); Yes (5)			Is the project to be carried out in partnership with other agencies or departments? If so, please state which and describe the benefits.
		Financial				
7	7	Generates Capital Receipts	Expected receipt: <£100k (0); £100k - £1m (3); >£1m (7)			Is the project expected to generate capital receipts? Please state any risks that would prevent the receipts being achieved.

8	15	Value for money - produces revenue savings / generates revenue income	Net annual savings or income as % of total capital cost: <1% (0) 1% - 5% (5); 6% - 10% (10); >10% (15)			Would the investment in the project qualify as an Invest to Save or Invest to Earn Initiative? If so the estimated revenue savings / income generation should be provided in a separate Investment Proposal, with the same name as the capital Investment Proposal. Please provide links to related Investment Proposals and links to supporting working papers.
9	12	Is part or fully funded from either externally generated resources (e.g. grants) or capital receipts from disposals	Percentage of capital cost funded by non-borrowing: <5% (0); 5 - 79% Proportional; 80% + (12)			Please also specify in the comments if ring-fenced funding would be foregone if the project did not go ahead. It is appreciated that in some cases the funding elements for a scheme are not certain, so please base this score on your best estimations of the external funding / capital receipts that the Council will be aiming to achieve and provide details of these assumptions and any risks to receiving the funding. The funding figures used to determine this score should match those included with the scheme's Funding Proposal.
Total	**100**			**0**		