

# **Capital Strategy**

**2018 – 2023**

## **Background**

This is the second year that a Capital Strategy has been presented to the Council, to demonstrate the approach that sets out how capital is utilised to deliver priorities. The Council will start to develop the longer term financial strategy for the council through the Medium term Financial Strategy (MTFS), addressing the short and medium efficiency demands and capital schemes will be key to supporting this large transformation agenda.

From 2019/20 a capital strategy will be a requirement for all councils, and regulated through the Prudential Code and requirements within the Treasury Management Code of Practice. This will place responsibility on senior finance officers reporting the capital strategy to Full Council and specifically reporting on the associated risks on prudence, sustainability and affordability.

## **Introduction**

The Capital Strategy is fundamental to the effective delivery of priorities. The provision of the right asset in the right place at the right time will ensure the effective and efficient delivery of a comprehensive range of quality services.

The unprecedented financial constraints that are identified through the Finance Resource Model (FRM) will have to be delivered through transformational efficiencies and a more effective use of resources. This involves developing a culture of innovation and co-operation across the council. There are some benefits identifiable from sharing assets and working in partnership such as reducing the running costs of our assets and the provision of enhanced customer service. Ultimately our aim is to use fewer resources including our buildings but use these far more efficiently.

This document sets out an integrated plan for the future management of the Council's assets and its capital programme. It facilitates a seamless interface between business planning within the Council and the management of assets and capital resources. This will ensure that the provision of resources and future investment are prioritised. It is a key document running alongside the Vision 2025 and the MTFS and will provide the framework for ensuring the effective and affordable management of assets.

### **Key Aims of the Capital Programme**

- Provide a clear context within which proposals for capital expenditure are evaluated to ensure all capital investment is targeted to deliver the Council's priorities.
- Clarify out how the Council identifies and prioritises capital requirements and proposals arising from various strategies including the Vision 2025, Service Improvement Plans, and other corporate strategies will be managed within the limited capital resources available.
- Challenge our current estate, continue with the programme of asset rationalisation, ensuring that assets retained are effective, efficient and sustainable to deliver services.
- Identify and consider options available to fund capital expenditure that minimises the ongoing revenue implications of historic capital expenditure and of any new investments.
- Use partnerships, both public and private, more effectively to support our overall strategy.
- Establish effective arrangements for managing capital schemes including assessment of outcomes and achievement of value for money.

## Principles

- Set a capital programme for the medium term and build on this to develop a long term plan
- Schemes included in our investment programme have been subject to a review of the business case and only those of significant priority are included in the overall project plan.
- With Capital and Revenue resources under pressure innovative and creative solutions to procuring capital assets are being sought.
- Assets surplus to requirements will be disposed of when appropriate in order to generate the maximum capital receipt for the Council.

## Council Vision

### Vision, Values and Principles

A renewed statement of vision, values and operating principles have been developed, which provides a checklist for the Council and key partners to use as a means of holding up a mirror to the current strategy and deciding if it is improving service provision and outcomes for individuals and communities.

### Vision 2025

Building on previous progress to make Powys the best possible place to live, work and visit, ensuring communities feel supported, have a say in what is provided for them locally and feel they play a key role in local service delivery. In an era of continued budgetary pressures, growing demand and increased expectations it is very important that there is clarity about what the Council wants to achieve now and in the future.

An open and enterprising council, this means:

- Working with communities, residents and businesses
- Willing to look at new ways of working and delivering services
- Focussing on solutions rather than problems

Having clear priorities to deliver the vision:

- **Residents and Communities** - support our residents and communities
- **Health and Care** - lead the way in effective integrated rural health and care
- **Learning and Skills** - strengthen learning and skills
- **The Economy** - develop a vibrant economy

To deliver the above there is an enabling priority:

- **Making it Happen**
  - Political & Officer Leadership
  - Workforce Strategy
  - Strategic & Financial Planning
  - ICT & Business Systems
  - Performance Management
  - Communications- Engagement with Residents & Communities
  - Partnerships

## Guiding principles

The Council's guiding principles are based on the Well-being of Future Generations (Wales) Act 2015, which means the decisions made must take into account the impact they could have on people living their lives in Powys in the future. The Act identifies the following five sustainable development principles:

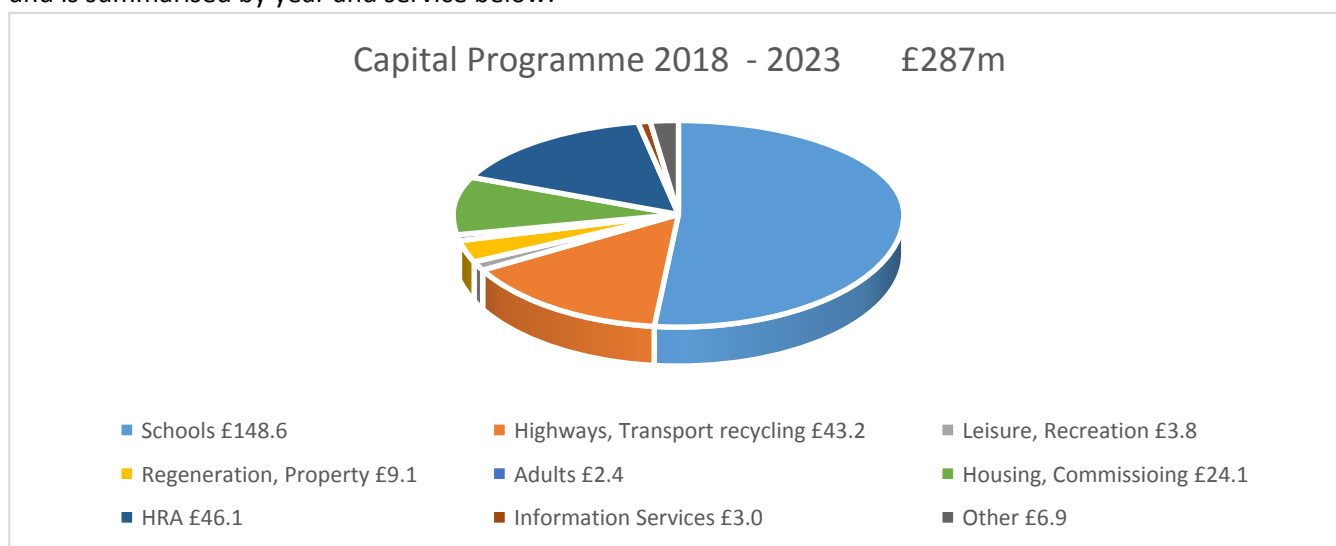
- **Long-term** - Balancing short-term needs with the need to safeguard the ability to also meet long-term needs.
- **Prevention** - Putting resources into preventing problems occurring or getting worse.
- **Integration (cross-cutting)** - Considering how our priorities may impact upon one another, on the well-being goals and on the priorities of other public bodies.
- **Collaboration** - Working together with other partners to deliver our priorities.
- **Involvement** (communications and engagement) - Involving those with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area

## Programme Overview

The Capital Programme covers three areas of expenditure. These are:

- a core programme of schemes that are regulatory / statutory in nature, and minimise legal challenge or revenue risk, these schemes are related to day to day activities that will ensure the Council meets its statutory requirements
- a retained asset programme to improve or enhance the life of existing assets, and
- an investment programme in schemes linked to the Council's strategic priorities schemes to generate income and increase the diversification of the Council's property portfolio and creating additional income and efficiency savings

The current capital programme and new capital schemes approved for 2018/19 onwards total £287,260k and is summarised by year and service below:



£'000	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Ongoing capital programme	82,512	63,490	41,162	38,212	27,390	<b>252,766</b>
Capital Bids approved 2018/19	5,191	6,769	10,318	9,716	2,500	<b>34,494</b>
<b>Total</b>	<b>87,703</b>	<b>70,259</b>	<b>51,480</b>	<b>47,928</b>	<b>29,890</b>	<b>287,260</b>

## **Capital Programme**

Appendix A sets out the capital schemes that will be funded over the next five years. Appendix B provides further detail of those newly approved capital bids.

Many of the capital schemes are cross cutting across the Council's priorities, the table below provides a broad view of the total programme against its core priorities:

	<b><u>2018/19</u></b>	<b><u>2019/20</u></b>	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>	<b><u>Total</u></b>
	£'000	£'000	£'000	£'000	£'000	£'000
Residents and Communities	40,401	33,163	16,196	13,052	7,924	110,737
Health and Care	2,119	1,590	2,046	1,888	1,300	8,944
Learning and Skills	39,367	30,882	30,182	30,232	17,910	148,572
The Economy	3,628	2,980	1,030	730	730	9,098
Making it Happen	1,610	730	220	220	220	3,000
Unallocated	578	914	1,806	1,806	1,806	6,910
	<b>87,703</b>	<b>70,259</b>	<b>51,480</b>	<b>47,928</b>	<b>29,890</b>	<b>287,260</b>

## **Residents and the Community**

### **Housing**

The Council is the largest social landlord in Powys and has more financial freedoms available since exiting the HRA subsidy regime. Achievement of the Welsh Housing Quality Standard is expected over the next financial year, alongside maintaining this level of estate. The HRA 30 Year Business Plan demonstrates an affordable capital strategy alongside delivering the day to day service and has key objectives linked to the Local Housing Strategy to;

- Support the public service modernisation agenda in Powys, in particular seeking to reconfigure our older persons accommodation to enable people to live independently for longer
- Make a significant contribution to alleviate poverty in Powys, in particular fuel poverty
- Provide good quality affordable housing to meet the needs and aspirations of the people of Powys and that are located in safe and attractive environments to which residents can relate and take pride in
- Support the regeneration of communities, creating training and employment opportunities
- Significantly reducing the carbon footprint of the housing stock
- Provide excellent customer focused services which meet the needs of our current and future customers.

Over the lifetime of the business plan the service will look to invest:

- £370 million on programmed renewals and improvements to the HRA housing stock
- £328 million on responsive and cyclical maintenance programmes
- £168 million on the development and acquisition of new homes

The HRA investment programme represents a massive injection of resources into the local economy of Powys and the service will work to ensure that the local benefit of this investment is maximised.

In addition to the ongoing capital schemes, there has been the addition of £15m to be used over three years as a Registered Social landlord loan scheme. This will match fund Welsh Government (WG) monies to support additional social housing in Powys.

### **Leisure and Recreation**

A number of libraries are already housed in open public locations, for example Builth library at Antur Gwy, Rhayader at the Leisure Centre, Knighton Community Centre Library, Hay and Talgarth primary school community areas. Self service technology funded through capital means that customers can make increased use of the resources available even when staff are not present or are busy supporting others. PCC staff using libraries for agile working purposes will be able to borrow resources by self-service. This provides a wider more cost effective service and is linked to improving learning and skills and health and wellbeing. Presteigne library is a new scheme to refurbish to address a recent conditions survey.

The cultural hub in Brecon, Y Gaer is a major flagship capital investment scheme, involving many partners, with the co-location of library and museum services in a single cultural centre in the heart of Brecon town. The scheme involves an extensive restoration of the Grade 2\* listed Brecknock Museum & Art Gallery and the adjacent construction of a new building. The Heritage Lottery Funded work on the museum will involve the restoration of the Assize Court and court room, the opening of the subterranean cells and the creation of new gallery spaces. Following the removal of some empty and redundant buildings, the 'new build' element is based on a quality design and high construction specifications, comprising of a large public atrium with tourist information and a café, a new Brecon library, rooms for education, community and conference use, a shop, a local history studies room and a controlled-environment museum store. Y Gaer, will act as a focus for the community and a significant attraction, providing a valuable boost to the regeneration of the town of Brecon, the region of Brecknockshire and the whole of the county by providing a key cultural facility of national importance for the community and visitors to the region. This is the final year of the capital scheme with the building opening in autumn 2018.

The Council has statutory responsibilities in terms of the maintenance of public rights of way. Areas that can require significant investment include the repair or replacement of bridges and the surfacing of public rights of way, in particular byways open to all traffic. These tasks have significant legal and health & safety risks if they remain unresolved. They are often issues that are beyond the scope of revenue budgets, therefore capital funding is sought to enable these larger tasks to be completed. Next year's capital programme supports Monks Trod Byway, to ensure that this byway is brought into safe and useable condition as bridleway standard.

### **Highways and Environment**

The Council has a statutory duty to maintain the adopted highway, maintained at public expense in a safe condition for the passage of the user. A strategic approach has been used to develop the Highways Asset Management Plan (HAMP) in identifying and allocating resources for the management, operation, preservation and enhancement of the highway infrastructure to meet the needs of current and future customers. Current gross replacement cost of these assets are estimated at £4.4bn.

An Annual Status and Options Report summarises the status of the main asset groups in terms of condition, compliance with meeting repair standards, level of public complaint/contact etc. The report describes the result of the previous year's investment in terms of meeting the target service standards, enabling the Council to determine if the standards in the HAMP are being met or not. This report also sets out future options available, including long term (20 year) predictions of defect levels, condition and other relevant data in sufficient detail to enable future investment plans and any necessary revisions to service standards contained in the HAMP.

Accessibility to and from employment, homes, leisure, health and social activity must be maintained. Economic growth needs to be facilitated. Congestion and delays on our highway network should be minimised. The Council aim to deliver safe access to employment, local services and facilities by;

- Using available funding to support Council priorities for accessing employment, health, leisure and education, and improve road safety on the county's highway network.
- Prioritising the Council's road infrastructure for repairs and maintenance and implement network improvement programmes.

£280k has been allocated to support a facelift of residential estates in 2018/19. Works that cannot realistically be given priority normally over outstanding safety and structural concerns, but that present such estates in an unkempt and deprived manner. The funding would be targeted at a number of large estates in the provincial towns to tackle run-down areas, and would consist of improvement to surfaces with the view of reduced ongoing maintenance costs, resulting in a sustained improvement for residents. Estates in Abercrave, Brecon, Newtown and Welshpool would be addressed in the first year.

### **Waste Strategy**

Powys County Council faces stringent WG statutory recycling targets. These are 64% for 2019/20 and 70% for 2024/25. In addition to this there is a target to reduce landfill to 10% by 2019/20 and 5% by 2024/25. This has required a step change in the way all local authorities approach waste and recycling.

PCC has followed the WG's preferred method for collecting kerbside recycling using their 'blueprint' as specified in the Municipal Sector Plan. This is a kerbside sort with boxes to maximise the quality of material and hence increase outlets for the recycle, reduce gate fees and maximise any potential income. To effectively sort and process this material requires strategically located facilities (delivery points) where the kerbside vehicles can tip whilst maximising their rounds. In order to deliver this service in a county the size of Powys, it is our intention to develop three bulking/baling, south, mid and north. It is also imperative that these assets are owned by PCC in order that maximum value can be obtained when commissioning the service. Capital funding to develop these are included in the overall programme.

As well as the kerbside collection of recyclables, authorities have an obligation to provide a facility for the public to take household waste. These Household Waste Recycling Centres make a considerable contribution to achieving recycling targets as 24% of municipal waste is handled through these facilities. Again, PCC having control of the asset is essential in maximising value when commissioning the service.

The capital investment in the Waste and Recycling service will ensure that the Council is able to meet the targets whilst obtaining maximum value from the service. A network of assets under the

Council's control will also allow the authority to be flexible to adapt to any changing requirements within the industry and Government policy and legislation. Some of these schemes will deliver efficiency savings in future years, whilst others ensure health and safety issues are minimised.

## **Health and Care**

The capital programme focuses on supporting those who wish to remain in their own home rather than residential care and supports the integrated Health and Care Strategy for Powys. This strategy acknowledges that people in Powys live longer and healthier lives than elsewhere in Wales and that Powys is a place aspiring to help improve the wellbeing of all people. It outlines the direction the Council will take - promoting wellbeing; offering early help and support to people; tackling the big four diseases that limit life (cancer, circulatory diseases, mental health, respiratory diseases); and providing joined up care are the key areas that become priorities for action. Ensuring people stay well, help them act early to prevent ill health and get support, and where care and treatment is required work with people to ensure care is joined up and based on what matters most to the individual.

The schemes mainly focus on the use of assistive technology, which has a key role to play in the modernisation of health and social care. With ever increasing technological advances, it offers a range of possibilities for greater choice not only of how people can access the support they need, but also where and when they access support. In doing so, assistive technology enables people to take greater control, and to live independently for longer by preventing hospital admissions and premature moves to residential care.

## **Learning and Skills**

### **Schools**

The main aims of the council's Learning Service are to ensure that the children and young people of Powys are supported to be:

- Safe, healthy, confident and resilient;
- Ambitious, capable learners, ready to learn throughout their lives;
- Enterprising, creative contributors, ready to play a full part in life and work;
- Ethical and informed citizens ready to lead fulfilling lives as valued members of society.

In order to support the achievement of these aims, the council aspires to have an educational infrastructure that meets the following aims:

- Provides all learners with the opportunity to achieve high standards of achievement and attainment
- Has high quality, resilient leadership, management and learning environments
- Has a greater focus on collaboration and partnership working, in order to enable schools to provide the best possible opportunities for learners
- Enables schools to run more efficiently
- Increases demand for Welsh-medium provision and provides access to provision which will enable pupils to become confident Welsh speakers
- Develops our schools into establishments that are central to community activity



Powys County Council aims to provide learning environments that meet the aspirations of the WG's 21st Century Schools programme. Major capital investment in school buildings in Powys will continue to be taken forward through the WG's 21st Century Schools programme, and the authority's programme for Band B (2019 – 2024) will focus on buildings identified to be in the poorest condition.

Alongside this, capital funding through our major repairs programme will be focussed on where the need is greatest, as identified through the Schools Service's Asset Management Plan.

The authority has submitted a programme of investment for Band B of the 21<sup>st</sup> Century programme, which has been approved in principle by the WG. This investment targets some of the authority's poorest condition schools, including special schools, and also provides investment to deliver Welsh-medium education, in accordance with the WG's aspiration to create a million Welsh speakers by 2050. It also includes investment in primary reconfiguration. The Programme has a 50% capital intervention rate, and it also offers a new and innovative funding route where the intervention rate is 75% - the Mutual Investment Model. The Council will develop its strategies to ensure maximisation of the potential investment opportunities that may be available via WG funding.

The Council aims to improve learning provision and opportunities to achieve better learner outcomes through its improvement programme by:

- Delivering the current Band A programme (2014-2017) jointly funded with WG
- Delivering the Band B Programme (2029 – 2024) via WG 21<sup>st</sup> Century Schools Programme Band B (2019); and
- Present a rolling programme of improvement proposals/plans to Cabinet to ensure that the county has an educational infrastructure that meets our aims.

## **The Economy**

### **Here and Now**

Local Authority property and land assets are a significant resource for Powys County Council and have a current book value of circa £776m. Our current estate comprises over 15,000 property assets and parcels of land throughout the County, the council being a significant landowner on this basis alone.

The Council's assets can be broadly classified as Operational or Non-Operational. Operational assets are those which are used either indirectly or directly to provide Council services such as schools, offices, libraries, leisure centres etc.

Non-Operational properties are those which the Council own and don't occupy but lease out in order to derive an income such as livestock markets and shops.

The Authority also owns and leases the Farm Estate to generate an annual income for the council.

The Council owns the freehold of the majority of its assets but, in very limited cases, has had to lease in some properties to maintain service delivery. The number of these leasehold properties has been significantly reduced in recent years.

Many of our assets have ever increasing maintenance liabilities and are energy hungry due to their age. They are putting significant strain on our resources. The ongoing nature of these costs is unsustainable, the diversion of revenue and capital resources into these, often poorly performing

assets creates an additional burden and limits opportunities to invest this resource in front line service delivery.

Estate Rationalisation – what has been done so far in 2017/18:

- Disposed of three assets from our corporate estate, with a further two expected to be completed by year end, totalling three quarters of a million pounds.
- Disposed of two assets from our farms estate, and a further three in the pipeline, with estimated receipts at over one million pounds.
- Twelve Community Asset Transfers
- Finalising a strategy for accommodation in the north of Powys to ensure the most efficient use of our buildings and that they are fit for purpose
- Moved forward with our scheme to refurbish Ladywell House which aligns with our Vision as it will provide modern office to support the business community and create a vibrant economy in the heart of Newtown, generating an annual income stream.
- Moved forward with the purchase of Abermule Business Park which again will create business units for new and growing businesses in Powys

## **The Future**

To vision is to ensure that the property and land assets are efficient, sustainable and in the right locations to support the delivery of services and the achievement of key priorities. To facilitate this a responsive and consistent approach, is adopted, in terms of the planning and delivery of sound property management throughout the life cycle of the portfolio.

In relation to budget challenges and the achievement of the asset vision, it is necessary to ensure that the Council's land and property assets play a pivotal role in the delivery of change and adopt a more dynamic approach to supporting organisational change. Buildings can be a catalyst for change, so over the next four years there will be further significant changes required within the organisation. These changes will need to happen in a short time frame and need to be able to respond to these changing needs and must be able to respond to this changing landscape quickly using innovative approaches. The Strategic Property Board and the STAMP are the mechanisms in place to help deliver these changes.

The MTFs forecasts funding levels and resource requirements over the medium term, identifies the gap between the two, and enables specific actions to be identified to balance the budget and manage resources. Any asset investment plan that results in a capital project will have consequences for the revenue budget, both positive and negative. These may be savings to running costs, schemes that generate income or resultant revenue costs of servicing any borrowing associated with the scheme. The overarching budget strategy brings together the Revenue and Capital budgets alongside the policy on Reserves. The approach links these three key elements to form the foundation of our financial plans. The Revenue Budget proposed includes these considerations with provision for the financing of capital

## **Regeneration, Property and Development**

The provision of sustainable infrastructure and the availability of business units supports the local and regional economy. The commercial viability of our town centres and rural areas must be protected, along with the vitality of town centres as centres for economic activity and social contact.

The Council need to intervene where the private sector is not able to (for economic reasons) to create or facilitate investment in business units. The Abermule scheme is one such scheme that sees the Authority creating a business park on a former WG site which otherwise would not have been developed in the short to medium term.

New approaches need to be developed in community and social sectors to the design and ways services are delivered, known as Alternative Delivery Models (ADMs), to sustain important services and meet future needs.

Our assets are helping community organisations to develop and become more sustainable by putting them on a firmer footing for the future. The Council have developed a Community Asset Transfer programme (CATs) and have actively sought interest from community groups with a social purpose in having assets transferred to them on a long term lease basis, or freehold transfer for the benefit of local communities.

There have been a number of successes already and will continue to develop this programme and provide help and support to organisations which want to move in this direction.

The Council aims to support local communities to become more resilient by:

- Designing and implementing alternative delivery models to sustain important services to meet future need.
- Empowering communities to run and manage facilities in their locality through Community Asset Transfers.

The Council's carbon emissions need to continue to reduce to meet WG targets and play a part in helping to address the consequences of climate change. Reducing the Council's energy costs will assist in addressing the deficit in the MTFs. The Council aims to establish environmental development which maximises social and economic benefits by:

- The Council will minimise and make efficient use of energy and fuel in all the council's activities. The Council will reduce its energy consumption and therefore costs by monitoring and reducing energy consumption through the creation of energy saving schemes through RE: FIT and where it makes economic sense introduce low carbon technologies to reduce the Carbon emissions of the Councils corporate building estate.
- Continue to rationalise assets held. This will be achieved by constantly challenging the retention of assets. Target poorly performing assets and those where service delivery can be maintained by sharing and/or using remaining assets more efficiently. Seek to eliminate any duplication in the function of our assets. The Strategic Asset Board is reviewing assets on a "place" basis to deliver future revenue savings.
- There will a review of the Corporate Office Accommodation to ensure that the offices are located in the most appropriate location and are modern, energy efficient. Work with our partners to co-locate staff where appropriate. There will also be a review of our depots, which is linked to the new Fleet Facility which is an opportunity to co-locate with a partner.
- Continue to modernise the way the Council work and develop agile working throughout the offices. Continue to engage with teams to progress agility and understand the further investment required including ICT systems and hardware to deliver a contemporary and efficient office accommodation model.

## **County Farms**

The County Farm Estate offers support to the largest industry in Wales – agriculture - and provides young entrants with the opportunity to establish their farm businesses on starter farms, with the prospect of progression to larger farms either within the portfolio, or in the private sector. The Council is currently enduring the longest period of austerity in its history, and it is therefore essential that the Council manages its agricultural estate prudently, efficiently, and professionally. Effective management of this Estate will enable us to continue to provide the opportunities already enjoyed by current tenant farmers, and maximise the income stream to support the budget.

A recent condition survey identified c. £4.5m of urgent works that needed doing to the farms estate buildings immediately. £1m has been utilised to address the health and safety risks to persons and the environment, for asbestos, electricals and septic tanks, with a further allocation of £500k per annum in the programme. The financial demands of this service needs to be evaluated against the income streams and outlay needed in the short term.

## **Making it Happen**

### **Information Technology**

The joint Information Technology Strategy underpins the ICT investment decisions. Its focus will remain in terms of detailing how to apply and develop Information Technology (IT) in Powys to support the delivery of Corporate and Service objectives and priorities, enable change and drive forward improvement.

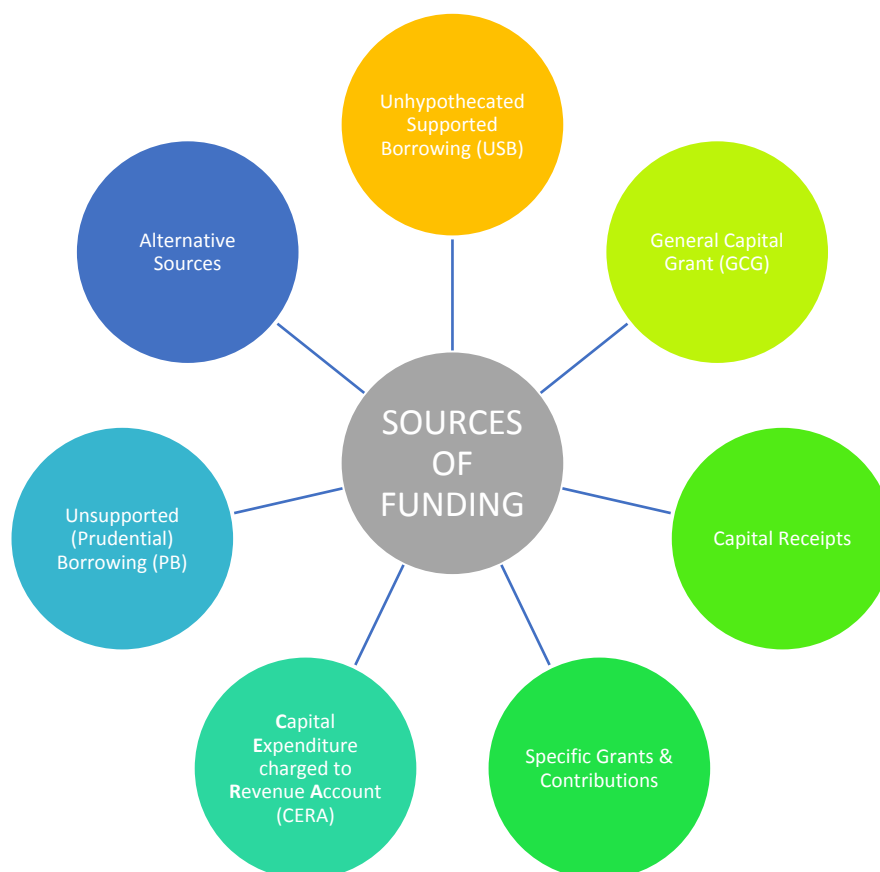
The Council has developed a secure, resilient, reliable and high performing IT infrastructure which provides the foundations to deliver real benefits for services and customers, the citizens of Powys. However, the extremely rapid pace of change and development in terms of IT means constant identifying opportunities for further improvements.

The service has been engaged with change programmes and as such have been able to target investments and resources to best meet the priorities identified through the various work streams within it. In respect of infrastructure IT are currently looking to invest in modern cloud based technologies. This includes Azure cloud technologies, improved telephony and mobile systems, WEB and share-point and improved wireless. In terms of applications IT is looking to rationalise the number of systems through investment in replacement of legacy corporate systems and improved integration between systems notably the WEB and Intranet.

### **Capital Funding**

Appendix A shows how the capital programme will be funded. The schemes are reassessed each month to ensure the most cost effective funding streams are utilised, especially when slippage occurs and restricted funding has a deadline for drawdown.

The diagram below shows the sources of funding that are utilised to deliver the capital programme. Each are explained in detail at Appendix C.



### Treasury Management and Annual Investment Strategy

The Capital Programme, is closely aligned to the Treasury Management Strategy, in terms of identifying and undertaking necessary borrowing and when cash will be paid into the Council’s bank to support cashflow.

The Council’s Capital Financing Requirement (CFR) is the amount of capital expenditure that is not financed from revenue resources, capital grants and other contributions and capital receipts. Any expenditure that is not financed from these resources increases the authority’s underlying need to borrow. Part of the Council’s treasury activities is to address the funding requirements for this borrowing need, based on having sufficient cash to meet the cost of the schemes this may be sourced through prudential borrowing or utilising temporary cash resources within the Council.

The Council is currently maintaining an under borrowed position. This means that the capital borrowing need has not been fully funded with loan debt as cash supporting the Authority’s reserves, balances and cashflow has been used as a temporary measure. This is a prudent and cost effective approach in the current economic climate of low interest rates and is a good use of the Council’s cash. Analysis of the balance sheet confirms the Authority to be in an internally borrowed position which, as mentioned above, is a prudent and cost effective approach in the current climate of low interest rates.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when the authority will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt. There will remain a cost of carry to any new long-term borrowing that will cause a temporary increase in cash balances due to the difference between borrowing costs and investment returns.

The current low interest rate forecasts are set to rise in the last quarter of 2018 so, when required, new borrowing options will be considered, possibly borrowing in advance of need:

- PWLB loans up to a 25 year period
- Short dated borrowing (up to 5 years).

Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure value for money can be demonstrated.

In determining whether borrowing will be undertaken in advance of need the Authority will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

#### **Minimum Revenue Provision (MRP)**

MRP is the annual charge that councils are required to make for the repayment of their debt liability in respect of capital expenditure funded by borrowing, for both the General Fund and Housing Revenue Account Debt.

This capital expenditure is set out as part of the calculation of the CFR and forecasts updated regularly to reflect changing borrowing needs and the resulting costs. Key, is the requirement for a prudent provision to be made to ensure that debt is repaid over a period commensurate with that over which the capital expenditure provides benefits.

Following an MRP review, Council approved an amended MRP policy to be applied for the 2015/16 financial year and beyond, based on the following:

- MRP on Supported Borrowing. From a 4% reducing balance method to a 2% straight line calculation for supported borrowing.
- MRP on Prudential Borrowing is charged over the life of assets. Using the asset life method for current and future years' calculation of prudential borrowing MRP for both the General Fund and HRA.
- The HRA CFR, which is a combination of historic and settlement debt, would be subject to the 2% reducing balance method calculation.
- For assets under construction, the MRP is allowed to be deferred until the asset is operational so the MRP matches the useful life of the asset.

The Council has revised the method of calculation to 2% straight line for the General Fund, for debt going forward. It has now reviewed the current years MRP liability and will retrospectively make an adjustment for the period between 2007/8 and 2014/15 in order to facilitate the appropriate starting point for 2015/16. This recalculation demonstrates prudence, in that the debt liability will be repaid eight years earlier, and effectively moves the start point of the 50 years useful asset life back to 2007/08. This means that the debt liability will be reduced to nil in 2057, rather than in 2065.

Over the years 2007/08 to 2016/17, the Authority would have charged a total of £19.988m less MRP on the General Fund CFR balance as at 2007/08 if it had adopted the 2% straight line method on its historic/supported debt in 2007/08

## **Governance**

The overall programme is significant and governance is a key requirement. Planning for the Capital Programme is determined in parallel with service and revenue budget planning process within the framework of the MTFS.

New capital schemes are rigorously appraised through submission of full business case which will include schemes funded by grants or contributions from 3<sup>rd</sup> parties. Large schemes that are programmes in their own right are subject to gateway reviews at stages during the programme, for example: 21<sup>st</sup> century schools. Ensuring that the evidence and the case for change when the scheme was initially approved is still valid, and that lessons learned from early stages can be applied to future stages. Many schemes still have little regard for revenue consequences and this has now been built into the bidding process.

The Council has the ability to further borrow, to fund additional schemes, which must demonstrate how they can contribute towards the Council's vision and help support investment and efficiency. The business cases must be clear about deliverability and added value, with clarity about the level of risk to be managed against expected reward.

Monitoring of the annual Capital Programme is undertaken at service level with progress updates given to the Head of Service, budget holders and project managers through Collaborative Planning (CP). Reporting to Cabinet take place monthly covering:

- New schemes or additions to existing schemes
- Grant and new funding sources
- Removal of or reductions to schemes
- Slippage on schemes, and impact on future years capital programme, with virement request

Sufficient headroom will be built into the Capital Programme to facilitate more flexibility thus allowing smaller schemes to be presented, considered and approved by Cabinet in year. Such schemes arise in year due to; opportunities presenting such grants that require an element of match funding or unforeseen events such as regulatory works etc.

## Appendix A

### CAPITAL PROGRAMME 2018/19 to 2023/24

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
<b><u>Schools</u></b>						
Llanidloes/Machynlleth Catchment						
Modernisation	2,554	0	0	0	0	2,554
Welshpool Primary Schools	8,291	3,774	0	0	0	12,065
Brecon School Campus	15,339	3,067	0	0	0	18,406
Ysgol Bro Hyddgen	5,021	0	0	0	0	5,021
Band B Projects	0	22,041	29,182	29,232	16,910	97,365
Gwernyfed High School	5,236	0	0	0	0	5,236
Crickhowell High School Extension	925	0	0	0	0	925
Major Improvements	2,000	2,000	1,000	1,000	1,000	7,000
	<b>39,367</b>	<b>30,882</b>	<b>30,182</b>	<b>30,232</b>	<b>17,910</b>	<b>148,572</b>
<b><u>Highways, Transport &amp; Recycling</u></b>						
Highways Core Allocation	1,500	1,500	1,500	1,500	1,500	7,500
Highways (HAMP)	3,950	3,950	0	0	0	7,900
Structural Maintenance	1,120	1,120	0	0	0	2,240
Strategic Salt Reserve	835	600	0	0	0	1,435
Fleet Facility	100	1,841	0	0	0	1,941
Depot Consolidation	200	0	0	0	0	200
Waste Management	1,714	0	0	0	0	1,714
Vehicle Replacement Programme	3,904	2,122	4,272	2,628	2,500	15,426
Capital Bids 2018/19	3,057	300	1,500	0	0	4,857
	<b>16,380</b>	<b>11,433</b>	<b>7,272</b>	<b>4,128</b>	<b>4,000</b>	<b>43,213</b>
<b><u>Regeneration, Property and Commissioning</u></b>						
Community Regeneration and Development Fund	230	230	230	230	230	1,150
Abermule Business Park	745	0	0	0	0	745
Regeneration Fund	0	400	400	400	400	1,600
County Farms	100	100	100	100	100	500
County Farms	500	500	0	0	0	1,000
Ladywell House	1,500	0	0	0	0	1,500
Office Accommodation Review	0	1,500	0	0	0	1,500
Other Regeneration and Property	235	0	0	0	0	235
Capital Bids 2018/19	318	250	300	0	0	868
	<b>3,628</b>	<b>2,980</b>	<b>1,030</b>	<b>730</b>	<b>730</b>	<b>9,098</b>
<b><u>Housing and Commissioning</u></b>						
Disabled Facilities Grant	1,300	1,300	1,300	1,300	1,300	6,500
Safe, Warm and Secure	200	200	200	200	200	1,000
CO2i Assistance	48	48	0	0	0	96
Landlord Loans	200	200	0	0	0	400
Gypsy & Traveller Site - Machylleth	77	870	0	0	0	947
Capital Bids 2018/19	0	5,150	5,000	5,000	0	15,150
	<b>1,825</b>	<b>7,768</b>	<b>6,500</b>	<b>6,500</b>	<b>1,500</b>	<b>24,093</b>



**Leisure and Recreation**

Y Gaer	2,630	0	0	0	0	2,630
Y Gaer - Library Fit out	275	0	0	0	0	275
Byway Programme	187	187	0	0	0	374
Footbridges - Replacement Programme	15	15	15	15	15	75
Capital Bids 2018/19	250	188	0	0	0	438
	<b>3,357</b>	<b>390</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>3,792</b>

**Information Services**

Replacement Hardware	220	220	220	220	220	1,100
IT Strategy	500	500	0	0	0	1,000
Replacement Infrastructure	360	10	0	0	0	370
Capital Bids 2018/19	530	0	0	0	0	530
	<b>1,610</b>	<b>730</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>3,000</b>

**Adult Services**

Refurbishment of Substance Misuse Office	443	0	0	0	0	443
Capital Bids 2018/19	376	290	746	588	0	2,001
	<b>819</b>	<b>290</b>	<b>746</b>	<b>588</b>	<b>0</b>	<b>2,444</b>

Local (small) Capital Schemes	500	500	500	500	500	2,500
Unallocated Resources	78	414	1,306	1,306	1,306	4,410
<b>Total</b>	<b>67,564</b>	<b>55,387</b>	<b>47,771</b>	<b>44,219</b>	<b>26,181</b>	<b>241,122</b>

**Financed By**

Supported Borrowing	9,794	5,280	4,632	4,632	4,632	28,970
Prudential Borrowing	20,171	32,828	21,137	19,204	7,455	100,795
General Capital Grant	2,819	2,819	2,819	2,819	2,819	14,095
Grants	21,951	11,771	14,591	14,616	8,455	71,383
Capital Receipts	2,174	348	100	100	100	2,822
Revenue/Reserves	10,656	2,342	4,492	2,848	2,720	23,058
<b>Total</b>	<b>67,564</b>	<b>55,387</b>	<b>47,771</b>	<b>44,219</b>	<b>26,181</b>	<b>241,122</b>

**Housing Revenue Account**

Welsh Housing Quality Standard	9,709	6,622	3,709	3,709	3,709	27,458
Old Persons Dwellings	750	700	0	0	0	1,450
Zero Carbon Initiative	3,225	3,354	0	0	0	6,579
New Builds/Purchases	5,080	3,931	0	0	0	9,011
Adaptions	255	265	0	0	0	520
Level Access Bungalows	1,120	0	0	0	0	1,120
<b>Total</b>	<b>20,139</b>	<b>14,872</b>	<b>3,709</b>	<b>3,709</b>	<b>3,709</b>	<b>46,138</b>

**Financed By**

Prudential Borrowing	8,679	2,974	0	0	0	11,653
Grant	6,109	5,509	3,709	3,709	3,709	22,745
Capital Receipts	0	0	0	0	0	0
Revenue/Reserves	5,351	6,389	0	0	0	11,740
<b>Total</b>	<b>20,139</b>	<b>14,872</b>	<b>3,709</b>	<b>3,709</b>	<b>3,709</b>	<b>46,138</b>

## Appendix B – New Capital Schemes Agreed

Service	Scheme	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Total £'000
Adults Services	ODC - Arlais/Lant Avenue, as per business case from property	176					176
Adults Services	PCC Care Homes (BUPA) - capital works based on estimates		90	446	288		825
Adults Services	Community Equipment e.g. profile beds	100	100	100	100		400
Adults Services	Telecare	100	100				200
Adults Services	Innovative use of robotics e.g. Pepper			200	200		400
Highways, Transport and Recycling	Abermule Recycling Facility	350					350
Highways, Transport and Recycling	Brecon Transfer Station	1,000					1,000
Highways, Transport and Recycling	Food waste hoppers for all 3 waste depots.	400	200				600
Highways, Transport and Recycling	In cab technology	200					200
Highways, Transport and Recycling	Traffic & Travel - Electric charge points in Car Parks	100	100				200
Highways, Transport and Recycling	Salt Barns - Phase 2				1,500		1,500
Highways, Transport and Recycling	Residential Estates Facelift Scheme	281					281
Highways, Transport and Recycling	Materials Storage Bays in Highways Depots	126					126
Highways, Transport and Recycling	Land Drainage	150					150

Highways, Transport and Recycling	Traffic & Travel Equipment	100					100
Highways, Transport and Recycling	Fleet Replacement Programme	660	590	4,272	2,628	2,500	10,650
Highways, Transport and Recycling	HWRC compaction	100					100
Highways, Transport and Recycling	Transport Infrastructure Fund	250					250
Housing	Abritas System, Homelessness & Housing Register - Powys host register, statutory obligation		150				150
Housing	Housing Loan's to RSL		5,000	5,000	5,000		15,000
Information Services	ICT Refresh	430					430
Information Services	Cyber Security Improvements	100					100
Leisure and Recreation	Monks Trod Byway	150	188				338
Leisure and Recreation	Presteigne Library	100					100
Regeneration Property	Presteigne Cemetery	168					168
Regeneration Property	Targeted Regeneration Investment Programme (TRIP)	150	250	300			700
Total Capital New		5,191	6,769	10,318	9,716	2,500	34,494

## Appendix C Capital Funding Options

