Powys

CAPITAL STRATEGY

Introduction

The Council's Capital Strategy is fundamental to the effective delivery of our 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, which all Local Authorities and other public sector partners are experiencing means that we have to be ever more efficient in the use of our resources. This involves developing a culture of innovation and co-operation. We have made significant progress already and the benefits of sharing assets and working in partnership are clear to see. We have demonstrated that a reduction in the running costs of our assets and the provision of enhanced customer service is achievable and we will continue to develop this approach. Ultimately our aim is to use fewer 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 our 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 One Powys Plan and Medium Term Financial Strategy (MTFS) and will provide the framework for ensuring the effective and affordable management of our assets.

Key Aims

- 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 as set out in the Improvement Plan.
- Sets out how the Council identifies and prioritises capital requirements and proposals arising from various strategies including the One Powys Plan, Service Improvement Plans, and other corporate strategies will be managed within the limited capital resources available.
- Critically 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 projects including assessment of outcomes and achievement of value for money.

Principles

- Set a capital programme for the medium term split into 3 sections; a core programme of schemes that are regulatory / statutory in nature, 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 included in our investment programme will be subject to completion of a business case to include a thorough appraisal of options and sensitivity analysis, with the schemes that generate efficiencies for the MTFS being favoured.
- With Capital and Revenue resources under pressure innovative and creative solutions to procuring capital assets will be sought.
- Assets surplus to requirements will be disposed of when appropriate in order to generate the maximum capital receipt for the Council.

Our Vision

This will see the coming together of a range of care services (from primary care through to specialist services) across both organisations that will better serve the needs of residents in the county. By using multi-skilled teams and sharing our assets and facilities we will be able to get the best possible value for money from our joint resources.

In our role as community leader, we must find out the needs of our communities, and help shape future service delivery together. To do this we must plan and ensure that the correct decisions are taken today to secure what we need for tomorrow.

Powys is made up of many communities, they are all different but have in common a desire to remain strong and to flourish into the future. A strong community is vibrant, where services are delivered locally and the economy supports opportunities for young people to keep them in our beautiful county, while also caring for our older population and protecting the vulnerable.

In the future communities themselves will be responsible for some services and we will continue delivering some, but not all, services. Our role will be different, we will be assisting and supporting but not necessarily delivering services. The council will also support the development of local supply chains so that we can commission services from local businesses. This will help us to keep as much of the 'Powys pound' in the local economy as possible.

One of our challenges will be to help communities make the transition to this new world of public service where personal responsibility plays a big part. Our role will be to support people to take an active part in their communities.

Our priorities – shaping the future

Our vision of strong communities can only be delivered if it is supported by strategic and timely decisions. We have clear priorities that will shape the decisions the council takes.

Our priorities are:

- Supporting people in the community to live fulfilled lives
- Developing the economy
- Improving learner outcomes for all, minimising disadvantage
- Remodelling council services to respond to reduced funding

By focussing our efforts on these four priorities we can begin to get a clear picture of what Powys, its communities, and the council will look like in the future.

Contents

The Here and Now

Local Authority property and land assets are a significant resource for Powys County Council the current book value is circa £758m. Our current estate comprises over 15,000 property assets and parcels of land throughout the County, we are therefore 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 a surplus 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 are tired with ever increasing maintenance liabilities and are energy hungry. They are putting significant strain on our resources. The graph below shows the running costs of our assets over the past 5 years. 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 we have done so far in 2013/14-2014/15:

- We have disposed of 18 operational building assets and through our service rationalisation strategy.
- At one of our key office buildings, approximately 15% of the rental office space is occupied by partner organisations, with plans to increase this in the future.
- We have Community Asset Transferred 8 of our assets.
- We have disposed of 4 farms and we are currently investing in our existing farm estate portfolio.

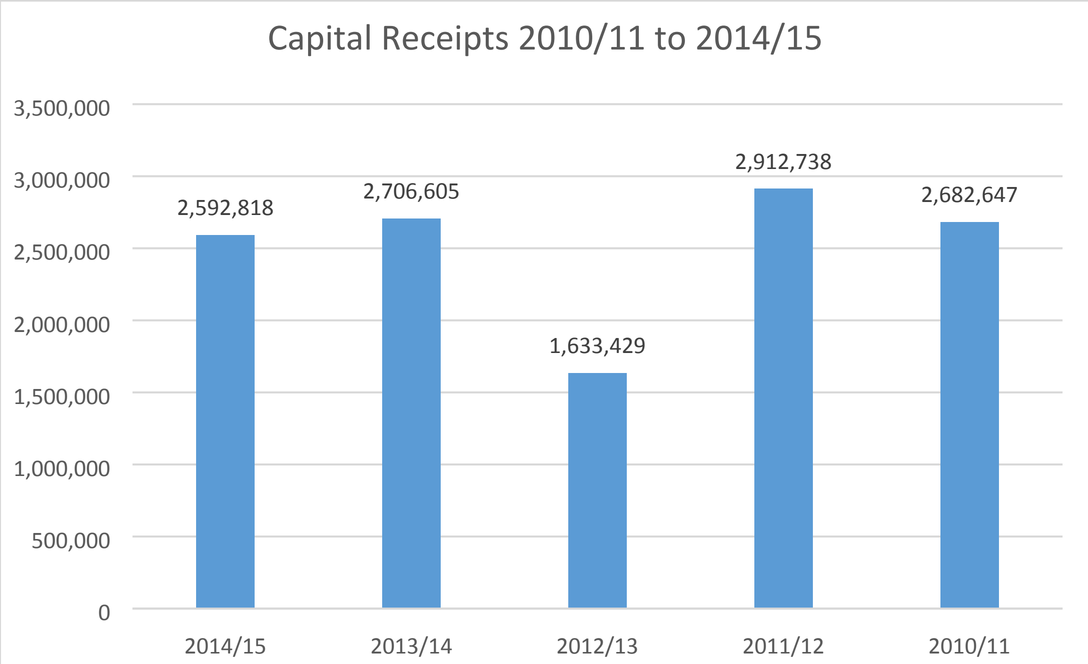
Looking to the future in 2015/16, we have proposals to:

- Dispose of 4 operational building assets.
- Increase the amount of rental space available by increasing the number of workstations, promoting and implementing the agile working strategy.
- Community Asset Transfer 40 assets.
- Disposal of an additional 3 farms.
- Investigate additional co-location opportunities.

These reductions have been achieved through careful planning and have had no detrimental impact on the delivery of our services.

Capital Receipts

Our assets provide a valuable source of income to our capital programme via the sale of surplus land and property which has resulted in capital receipts of £12.528m over the last five years. Our disposal programme will continue to contribute toward this income in the future.



The Future – A Vision for our Assets

'To ensure that the property and land assets we retain are efficient, sustainable and in the right locations to support the delivery of our services and the achievement of key priorities.'

To facilitate this we will adopt a joined up, responsive and consistent approach in terms of the planning and delivery of sound property management throughout the life cycle of the portfolio.

Business Planning: a dynamic approach

In relation to budget challenges and the achievement of our asset vision we will 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.

We know that our buildings can be a catalyst for change. 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 we 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.

Links to the Medium Term Financial Strategy (MTFS)

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. It is therefore essential that the capital and revenue budget cycles are aligned to ensure that these revenue implications are properly costed and fed into our MTFS.

NEEDS AND PRIORITIES: What we want our capital resources and assets to deliver in the next four years

Underlying our needs and priorities is the recognition that financial resources are constrained in the current economic and political climate. Capital grants from Welsh Government have been reducing, and increasingly capital grants are being replaced with repayable loans or Local Government Borrowing Initiative (LGBI), where the Council borrows the capital funding, and the Welsh Government provides the revenue funding associated with the borrowing.

Furthermore it is recognised that the Council needs to rely more on its internal resources and look to invest in schemes that are self-sustaining or generate positive returns in terms of meeting corporate priorities and producing revenue savings.

We have a significant backlog of maintenance work across the property portfolio, and to bring assets up to current standards would require investment at levels which are simply unaffordable so any investment needs to be strategically targeted reflecting the need to consider future investment plans, property rationalisation outcomes and investment linked to delivering the Councils improvement priorities. Limited capital resources need to be prioritised to maximise outcomes with minimal ongoing future revenue costs.

Improving learner outcomes for all, minimising disadvantage

Schools

The Council has a responsibility to review and modernise all school provision, to make sure that we are providing the best possible opportunities for learners, so that they can achieve their full potential.

Estyn (the education inspectorate in Wales) note that “improvements in the quality of buildings have a very beneficial effect on the quality of teaching and morale of staff which has a positive effect on pupil performance”. The Council needs to ensure there are a sufficient number of school places, of the right type, in the right locations. The need to maintain a large number of ageing school buildings and the supporting infrastructure is unsustainable.

The Council will review and modernise the way education is delivered through a rolling programme of reviews. This will be programmed on an area by area basis. When the Council carry out an area review, we will consult with children, young people, parents and carers connected with schools in that area.

The Council is committed to ensuring that school buildings will meet 21st century expectations, are fit for purpose and are a community resource.

There are serious shortcomings in the current suitability of a number of buildings, including pressing health and safety issues that question the long term viability of some of our existing schools. In terms of the condition of our school stock, the current backlog of repairs and maintenance remains high. School organisational change remains the key tool available to Council to address such deficits.

The percentage of surplus places in Powys schools continues to remain above the Welsh Government target of 10%. Since funding for schools is largely driven by pupil numbers, surplus capacity means a disproportionate amount of funding is spent on infrastructure (such as buildings) and the “fixed costs” of running a school (such as leadership and administration). This funding could be better used to ensure that pupil teacher ratios are minimised to make a direct difference to learners. As public service funding reduces over forthcoming years the case for reprioritisation and change becomes even more compelling.

School modernisation options will drive an investment strategy that will address the needs of the schools. This is evident in the Councils Band A modernisation programme with a £78m school investment programme planned between 2014/15 and 2017/18. The Welsh Government has indicated that they intend to roll out Band

B of the programme from 2019 onwards. It is expected that Welsh Government will provide further information in the next twelve months on securing the next phase of the investment.

The Council will develop its strategies to ensure that we are maximising the potential investment opportunities that may be available via Welsh Government funding. The Welsh Government funding criteria for 21st Century schools will only potentially fund modernisation projects; refurbishment or maintenance projects are not eligible for grant via this programme.

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

- Delivering the current Band A programme (2014-2017) jointly funded with Welsh Government
- Positioning ourselves to access external funding via WG 21st Century Schools Programme Band B (2019)
- Present a rolling programme of implementation plans to Cabinet to; ensure continuation of the rise in educational standards, create conditions for school leaders to succeed, ensure that school buildings suitable and in good condition to provide attractive learning and working environments, reduce the number of surplus places and the inequity of variation in cost per pupil, and provide resilience against falling revenue funding.

Supporting people in the community to live fulfilled lives

Housing

2nd April 2015 marked a key date in the history of council housing in Wales, as at this point in time council's exited the HRA subsidy regime. This exit from the HRA subsidy regime means that Powys Council will no long be in a position where it has to repay rental income to HM Treasury (a negative subsidy situation), which will mean that it retains £1.3 million of revenue annually. The exit from the HRA subsidy regime also means that council landlords now have additional borrowing freedom, are self-financing and able to use their resources in a way similar to that enjoyed by housing associations, albeit subject to a borrowing ceiling.

The Council is excited by the opportunities that exit from the HRA subsidy regime created. The Council, in its role as the largest social landlord in Powys, recognises that the new financial freedom offered by the exit from the HRA subsidy regime, provides it with an outstanding opportunity to align the HRA business plan with the Local Service Boards One Powys Plan.

The objectives of the HRA Business Plan are 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 the LSB's work 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 we will look to invest:

- £392 million on programmed renewals and improvements to the HRA housing stock
- £346 million on responsive and cyclical maintenance programmes
- £169 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 we will work to ensure that the local benefit of this investment is maximised.

Developing the economy

Regeneration, Property and Development

The provision of sustainable infrastructure 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.

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. We have developed a Community Asset Transfer programme (CATs) where we 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.

We have had 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.

Our carbon emissions need to continue to reduce to meet Welsh Government 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 projects through RE:FIT and where possible introducing low carbon technologies to reduce the Carbon emissions of the Councils corporate building estate.

Reviewing our estate: rationalisation and reduction of running costs

We will reduce the number of assets we have. This will be achieved by constantly challenging the retention of assets. We will target poorly performing assets and those where service delivery can be maintained by sharing and/or using remaining assets more efficiently. We will seek to eliminate any duplication in the function of our assets. The Strategic Property Board is reviewing assets on a "place" basis to deliver future revenue savings.

Corporate Office Accommodation

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. We will 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.

We will continue to modernise the way we work and develop agile working throughout our offices. We will 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.

Agricultural Estate

In the current economic climate, the role and rationale of the County Farm Estate has potentially never been more important: land and farm prices are at an all-time high, and unless portfolios such as the Council's estate are retained and improved, the ability of younger generations to enter the agricultural industry will be severely constrained and in most cases (unless the entrant is a natural successor to a family farm) almost impossible. The County Farm Estate therefore 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. It is vital for many of our rural communities that these links are maintained and that this important function is preserved for the future.

However, 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 for future generations.

The Farm Estate Delivery Plan (FEDP) FEDP will seek to support and lay out how we will meet the main principles of our Vision for the County Farm Estate: -

- The County Farm Estate will continue to provide opportunities to new entrants into the agricultural industry and support them in their progression to larger holdings.
- The Estate will provide efficient, good quality farms that serve the needs of both new entrants and progression tenants.
- We will identify and provide rationalisation opportunities through Estate amalgamation to provide more viable farms and provide capital receipts through a strategic disposals programme and a continued income stream.
- Funding from capital receipts and revenue income will be used to upgrade and improve the quality of retained holdings.

Remodelling council services to respond to reduced funding

Highways, Transport and Recycling

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 is produced that 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.

Waste Strategy

Powys County Council faces stringent Welsh Government statutory recycling targets. These are 58% for 2015/16, 64% for 2019/20 and 70% for 2024/25. In addition to this there is a statutory requirement 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 Welsh Government'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 recyclate, 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 a county the size of Powys, a minimum of three bulking/baling sites are required, 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.

As well as the kerbside collection of recyclables, authorities have an obligation to provide places for the public to take bulky 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.

Leisure and Recreation

The Leisure & Recreation services' group has a number of common strands in delivering a Capital strategy, namely

1. That opportunities continue to be sought out for re-location and co-location of its services which currently occupy Council buildings. In striving to achieve this aim, capital investment may will be necessary to adapt alternative premises to meet the needs of the Service. The move of the Llandrindod Library is a very good example of what this can look like, and can lead to better results for the service and citizen. This approach is particularly relevant to the Library, Youth and Museum Services, and directly supports achieving the targets set in the MTFS. Links with Schools Modernisation

have been made, and opportunities to deliver services from schools is being pursued as part of this picture.

The difficulty in achieving this aim is that it is not quick, and is often dependent upon other third parties to be willing and able to make suitable accommodation available and affordable. In the meantime, the existing occupied building still require capital investment, where these exceed reasonable and affordable sums provided through revenue spend, such as replacement of a boiler, or replacement of fire doors or electrics.

2. Where Services can be delivered in a way that does not need a dedicated premises, then in these cases goods and services will be commissioned (including the hire of rooms or other facilities as may be necessary) and thereby allowing the building stock to be reduced. In these cases, some capital investment may be sought, to allow the building to be taken on by others, but predominantly the view taken is that at the point of exit, the property will be declared surplus and passed across to the Property Service for disposal. This approach partly links to the Youth Service's plans for service delivery.

3. A third and key strand is a broad asset disposal and Community Asset Transfer approach, allied to the Council's Community Delivery policy. In achieving to sign up local communities to taking on assets and services, investment is typically sought to ensure the condition of the assets meet the expectations of the receiving body. Whilst this will be subject to negotiation, usually some form of capital investment is needed to satisfy this issue, and allow transfers to occur. In such cases, the investment of capital is in recognition that no further revenue costs will be incurred by the Authority. This approach is directly linked to MTFS plans for the Outdoor Recreation service, who have achieved or are currently engaged in the transfer of a wide range of assets and services to others, including bowling greens, cricket fields, football & rugby fields, tennis courts, play areas, community open spaces and a range of sports pavilions. This strategy continues to be vigorously pursued.

4. The Service group also holds a number Listed or Scheduled structures, monuments and buildings. In such cases, maintenance is often well beyond reasonable management through revenue spend, and due to the legal implications, costs of replacement or major repairs can be very considerable and involve specialist architects, etc.. Recent structural works to the Cornewall Lewis Monument in New Radnor have demonstrated the cost and complexity of caring for old and historically important structures. In such cases, the Authority has a legal obligation, as well as occupier liability to undertake such works as may be needed to care for these properties, and defects can occur at any time regardless of routine monitoring and maintenance, with the need for emergency support on occasion.

In such cases, the Service is seeking opportunities to also create alternative ownership arrangements if a willing partner can be identified, but this also will identify the need for some form of legacy capital payment or incurring of capital cost to meet any reasonable expectations of a receiving body. In such cases, capital investment will form part of a package of measures to reduce or remove long-term capital and revenue liabilities, but on an opportunistic basis.

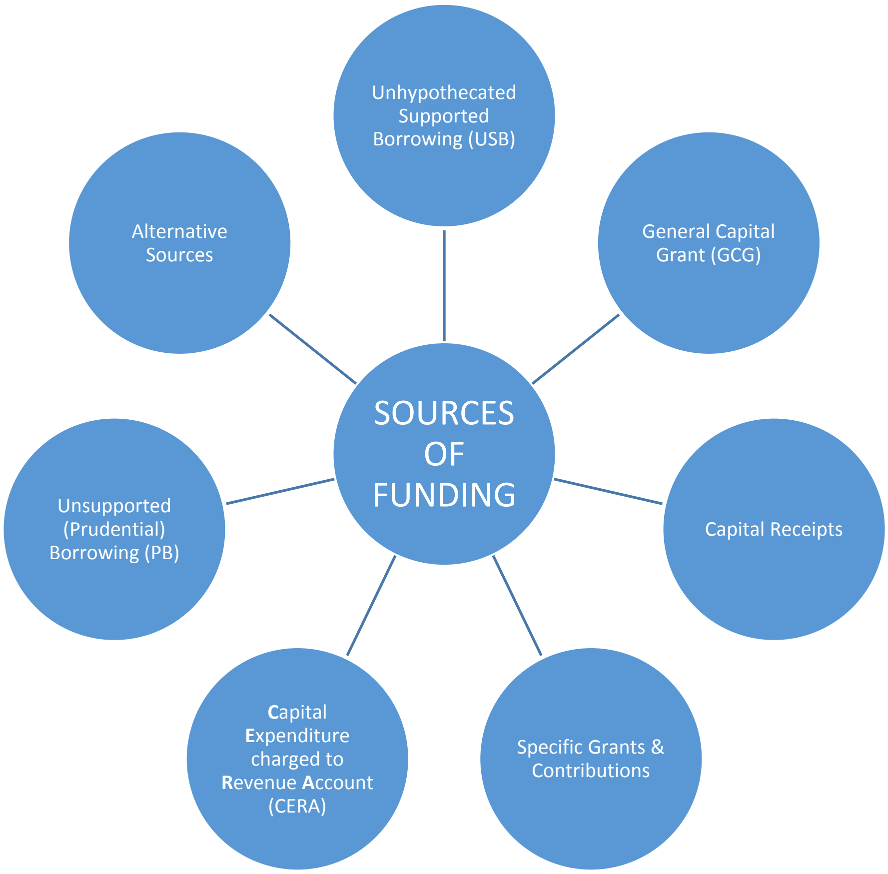
ICT

The joint Information Technology Strategy underpins the ICT investment decisions. Its focus will remain in terms of detailing how we can 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 us with the foundations to deliver real benefits for our services and our customers, the citizens of Powys. However, the extremely rapid pace of change and development in terms of IT means we have to constantly identify 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.

RESOURCING: What are our sources of capital funding and what types of capital schemes will the sources be applied to



Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing

Each year Welsh Government provide Council's with a Supported Borrowing capital allocation. Councils can then borrow to fund capital expenditure up to that annual allocation, and Welsh Government will include funding to cover the revenue costs associated with that level of borrowing in future years within the Revenue Support Grant. The Council decides how this funding is spent.

General Capital Grant

Annual capital grant from Welsh Government which the Council decides how to use the funding.

Supported borrowing and general capital grant will be used to fund capital schemes which;

- invest in, or maintain the life of, existing assets that will be retained for future service delivery
- are statutory / regulatory in nature

Specific Grants

Grant allocations received from a range of sponsoring bodies including Welsh Government, Wales European Funding Office (commonly referred to as WEFO), Lottery, etc for associated specific programmes and projects with limited local discretion how the funding is spent. Often the terms and conditions of such funding will require unused funding to be returned, and can require the Council to match fund. In times where capital resources are declining the Council will seek to maximise such funding streams, subject to the initiative/scheme reflecting both the 3rd party's agenda and the Council's priorities.

Specific Contributions

Represent contributions from developers towards the provision of public assets or facilities. Sometimes these are to mitigate the impact of their development on communities and often referred to as section 106 contributions. Contributions are earmarked for specific purposes in planning agreements and often relate to infrastructure projects including; play areas, open spaces, and schools, but also includes affordable housing. Developers also contribute to highways infrastructure developments through Section 38 and 278 agreements.

Specific Capital Loans

Increasingly as Welsh Government's funding comes under pressure, capital funding that was previously issued as a specific capital grant is converted into a repayable loan, examples include Home Improvement Loans fund, and Houses into Homes funding. Grant funding will always be preferable to loan funding as it does not require repayment, however loan funding does have benefits. Its use to date has been to provide recyclable loan funding for regeneration purposes; the benefit being rather than grant funding a single project, the funding as it's a loan can be recycled and used to fund a number of projects over the term. As with grants the Council will seek to maximise such developments that are in line with its priorities, however will carefully consider the additional administrative burden in issuing and collecting loans, and the risk it carries from loan defaults.

Local Government Borrowing Initiative (LGBI)

Similar to supported borrowing. In recent years as Welsh Government funding has been under pressure, schemes that would have been funded by capital grant have been funded by LGBI. Welsh Government provides the revenue support for borrowing costs incurred by the Council in borrowing to fund capital schemes (the difference with supported borrowing being that it's for a specific purpose aligned to Welsh Government priorities). LGBI has recently been used for highways maintenance and is now being used to part fund the Welsh Government element of the 21st century schools programme.

Capital Expenditure charged to Revenue Account (CERA)

This expenditure can be funded via a direct contribution from revenue funding (note capital financing regulations mean is it not possible to use capital funding to fund revenue expenditure). This method of funding is extensively used by the HRA and will continue to be in the future. It is also used to fund vehicle replacements with a real depreciation contribution going back to the Transport and Equipment Fund to future replacements.

Capital Receipts

Funds raised from the sale of council assets, usually, but not restricted to, land and buildings. Other examples include repayments of loans for capital purposes and release of restrictive covenants.

Capital finance regulations dictate that capital receipts can only be used to fund capital expenditure or repay debt. In the past regulations required a proportion of all receipts be set aside to repay debt, this was removed some time ago for the Council Fund and was removed for the HRA with the introduction of self-financing. The Council's policy is to use capital receipts to fund capital expenditure rather than voluntarily set aside to repay debt; the Council sets a Minimum Revenue Provision policy each year which sets out our prudent methods for repayment of debt.

The current policy of pooling all capital receipts to allocate to capital schemes in accordance with the Council's strategic aims and priorities will continue. Receipts will not be ring-fenced to fund schemes in the same service or geographical areas (with the exception of the HRA). Capital receipts represent a finite funding source based on a planned structured manner of asset disposals created to support Council's priorities. Receipts will be used to fund short life assets such as ICT improvements, street lighting.

Generation of capital receipts depends on our ability to identify assets that are surplus to requirements, and to sell them at an appropriate time which will be subject to local economic factors. In recent years this has been challenging. The Strategic Property Board has been set up with a remit of working with services to identify potential assets for disposal.

Agricultural capital receipts will be generated by continuing with our Farm Estate Delivery Plan.

Unsupported Borrowing (commonly referred to as Prudential Borrowing)

The Prudential Code for Capital Finance in Local Authorities supports local authorities in determining their programmes for capital investment in assets (we are required by regulation to follow its requirements). The Prudential Code gives Council's discretion to undertake borrowing to fund capital projects with the full cost of borrowing funded from future council revenue resources subject to the Council demonstrating, within a clear framework, that the capital investment plans are affordable, prudent and sustainable. A range of prudential indicators must be produced and approved demonstrating the impact of the programme.

To demonstrate that the plans have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. The Code does not include suggested indicative limits or ratios, the authority sets these. The Code concentrates on the means by which the council demonstrates that the capital programme is affordable, prudent and sustainable.

Affordability

Affordability is ultimately determined by a judgement about acceptable council tax levels not only in the short term but over the next two years and longer if significant variations are known. The capital programme is now over the next four years because of the 21st Century Schools project which runs until March 2019.

The prudential indicators of affordability are:

- Estimates of the ratio of financing costs to net revenue streams
- Estimates of the incremental impact of capital investment decision on council tax

The other indicators related to affordability are

- Estimates of capital expenditure
- Estimates of capital financing requirement ie the underlying need to borrow
- Authorised limit for external debt
- Operational boundary for external debt

The last two indicators are linked to the treasury management policy statement and practices.

Prudence

By virtue of the requirements, the prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objectives of sustainability and prudence are addressed year on year.

The net debt of the authority, except in the short term, must not exceed the total of the capital financing requirement. This is the key indicator of prudence.

The option for funding additional capital developments is one which is funded from within existing revenue budgets or from generating additional and ongoing income streams, there is no support from any external funding and is a major constraint on its use as any scheme funded by prudential borrowing will add to the forecast budget deficit in the MTFS.

The focus will be to fund schemes that are the Council's priorities, that generate revenue benefits in future financial years in the form of revenue savings, income generation or increasing Council Tax yield.

Alternative Sources

There are a number of other alternative sources of capital funding which the Council could make use of, depending on circumstances and cost:-

- Finance Leases - Leases that transfers substantially (to the lessee) all the risks and rewards of ownership of an asset, even though ownership may not be transferred. This method has only been used on a limited use of this financing.

- Public Private Partnerships (PPPs) - This is a broad term for various arrangements in which the Council has a longer and more intensive relationship with a private sector supplier than it does under a traditional contract. It includes:-

    - PFI contracts;
    - Local Asset Backed Vehicles (LABVs);
    - Strategic partnering;
    - Sale and Lease back;
    - Joint Ventures; and
    - Deferred Purchase

Capital schemes funded from alternative sources are likely to increase the Council's debt liability therefore use will be restricted and considered in the same way as prudential borrowing.

The council has a Local Asset Backed Vehicle for property disposals in Brecon and subsequently the rest of Powys.

CAPITAL PROGRAMME: How will capital schemes be prioritised for inclusion in the capital programme

The purpose of the Capital Programme is to optimise the Council's use of capital resources by allocation to those areas identified as representing the strategic priorities of the Council. The Programme will be split into 3 sections;

- Statutory / Regulatory Programme consisting of an annual allocation to fund schemes of a statutory / regulatory nature. Examples include; providing financial support to repair, improve and adapt private sector homes, and adapting schools for disabled children.

- Retained Asset Programme consisting of an annual allocation to fund schemes that maintain, improve or lengthen the economic life of the assets that we retain to use in delivering services where there is already a significant amount of capital work needed, identified by service plans / condition surveys etc. Service areas identified are; schools and highways. Service areas will be required to submit detailed plans for information before the start of each financial year the projects are ranked using a scoring and prioritisation procedure based on key criteria. There is also a £500k allocation for other services for small/local projects.

- Investment Programme consisting of allocations to fund new schemes arising from Service Improvement Plans. Such schemes will be necessary to achieve revenue efficiencies included within the FRM and the MTFS and our strategic priorities as included in the One Powys Plan.

Funding of schemes will be allocated as shown below:

Statutory / Regulatory Programme	Retained Asset Programme	Investment Programme

General Capital Grant	Supported Borrowing	Capital Receipts	Prudential Borrowing and Alternative Sources of Funding

Capital Programmes will be set every year covering a timeframe of the next 4 financial years on a rolling basis, reflecting that capital schemes don't match financial years and span more than 1 financial year. Schemes starting in that first financial year will be approved along with any costs and funding required in the subsequent 3 financial years. Schemes starting later than the first financial year will be given indicative support to enable services to plan, but will ultimately require formal approval through the process of approving the subsequent years' capital programme.

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.

GOVERNANCE of the Capital Programme

Planning for the Capital Programme is determined in parallel with service and revenue budget planning process within the framework of the MTFS.

New investment capital schemes will be rigorously appraised through submission of full business case which will include schemes funded by grants or contributions from 3rd parties. Large schemes that are programmes in their own right will be subject to gateway reviews at stages during the programme, for example: 21st 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.

The Capital Programme will be set for each coming financial year at the same time as the annual budget, and will include indicative figures spanning the same time frame as the MTFS.

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

- New schemes or additions to existing schemes
- Removal of or reductions to schemes
- Slippage on schemes, and impact on future years capital programme
- Funding virements between schemes
- Other necessary revisions to the scheme

APPENDIX 1 **CAPITAL PROGRAMME 2016/17 to 2019/20**

		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Schools						
Gwernyfed Catchment Modernisation	OBC	3,095	15,351	4,237	0	22,684
Severn Valley Welsh Medium School	Construction	175	0	0	0	175
Llanidloes/Machynlleth Catchment Modernisation	BJC to be submitted	50	550	0	0	600
Welshpool Primary School	SOC	150	2,281	6,792	0	9,223
Brecon School Campus	SOC	108	6,010	9,015	4,314	19,446
Ysgol Bro Dyfi	SOC	200	3,969	13,395	0	17,564
Mid Powys School	Estimate	0	200	7,700	9,700	17,600
Crickhowell School Extension	Estimate	0	1,000	0	0	1,000
Band B Projects	Estimate	0	0	0	1,000	1,000
Major Improvements	Estimate	1,095	1,000	1,000	1,000	4,095
		4,872	30,361	42,139	16,014	93,386
Highways, Transport & Recycling						
Highways Core Allocation	Estimate	1,400	1,400	1,400	1,400	5,600
Road Safety & Traffic Management	Estimate	100	100	100	100	400
Surface Dressing	Estimate	0	0	0	0	0
Structural Maintenance	Estimate	1,120	1,120	1,120	1,120	4,480
Strategic Salt Reserve	Estimate	0	1,488	0	0	1,488
Street Lighting	Estimate	776	776	0	0	1,553
Flood Alleviation Scheme	Estimate	600	0	0	0	600
Flood Alleviation Schemes Phase 3	Estimate	320	0	0	0	320
Waste Management	Estimate	850	2,525	0	0	3,375
North Area HWRC	Estimate	0	700	0	0	700
Baling and Sorting Equipment	Estimate	350	0	0	0	350
Vehicle Replacement Programme	Estimate	2,180	2,355	2,372	2,371	9,278
		7,696	10,464	4,992	4,991	28,144
Regeneration, Property and Commissioning						
Community Regeneration and Development Fund		230	230	230	230	920
Regeneration Fund		500	400	400	400	1,700
County Farms	Estimate	100	100	100	100	400
County Farms	Estimate	500	0	0	0	500
Office Accommodation Review	Estimate	1,500	1,500	1,500	1,500	6,000
Fleet Facility	Estimate	1,200	1,300	0	0	2,500
Other Regeneration and Property		254	0	235	0	489
		4,284	3,530	2,465	2,230	12,509
Housing and Commissioning						
Disabled Facilities Grant		1,300	1,300	1,300	1,300	5,200
Safe, Warm and Secure		200	200	200	200	800
Gypsy & Traveller Site	Estimate	200	2,280	0	0	2,480
CO2i Assistance		48	48	48	48	192
Landlord Loans		200	200	200	200	800
		1,948	4,028	1,748	1,748	9,472
Leisure and Recreation						
Brecon Cultural Hub	Tender	5,485	2,634	0	0	8,119
Brecon Cultural Hub Library Fit Out	Tender	300	0	0	0	300
Leisure Centre Improvements	Pre Tender	1,101	0	0	0	1,101
Archives Project	Pre Tender	1,544	0	0	0	1,544

Footbridges - Replacement Programme		15	15	15	15	60
		8,445	2,649	15	15	11,124
Information Services						
Replacement Hardware		220	220	220	220	880
IT Strategy		500	500	500	500	2,000
Replacement Infrastructure		100	0	0	0	100
		820	720	720	720	2,980
Adult Services						
Mobile Working and Transformation	Estimate	443	0	0	0	443
Business Performance Unit						
Cashless System in School	Implementation	87	0	0	0	87
Local Capital Schemes		500	500	500	500	2,000
Unallocated Resources		**32**	**347**	**172**	**2,305**	**2,856**
Total		29,127	52,599	52,751	28,523	163,001
Financed By						
Supported Borrowing		4,808	5,470	10,056	4,656	24,990
Prudential Borrowing		12,291	18,250	13,997	18,094	62,632
General Capital Grant		2,834	2,834	2,834	2,834	11,336
Grants		3,631	14,211	14,416	0	32,258
Capital Receipts		2,503	8,845	4,431	348	16,127
Revenue/Reserves		3,060	2,989	7,018	2,591	15,658
Total		29,127	52,599	52,751	28,523	163,001
Housing Revenue Account						
Welsh Housing Quality Standard	Estimate	15,210	15,856	10,081	6,875	48,022
Old Persons Dwellings	Estimate	1,100	800	750	700	3,350
Zero Carbon Initiative	Estimate	0	0	3,353	3,487	6,840
New Builds/Purchases	Estimate	1,150	1,196	2,348	1,434	6,128
Adaptions	Estimate	250	255	265	276	1,046
IT- Mobile Working	Estimate	200	0	0	0	200
Level Access Bungalows	Estimate	630	2,000	1,120	0	3,750
Garage Improvements	Estimate	10	100	0	0	110
		18,550	20,207	17,917	12,772	69,446
Financed By						
Prudential Borrowing		8,061	10,731	8,504	2,330	29,625
Grant		3,712	3,712	3,712	3,712	14,849
Capital Receipts		1,197	0	0	0	1,197
Revenue/Reserves		5,580	5,764	5,701	6,730	23,775
Total		18,550	20,207	17,917	12,772	69,446