

The Vale of Glamorgan Council

Cabinet Meeting: 22 February, 2016

Report of the Leader

Final Capital Proposals 2016/17 to 2020/21

Purpose of the Report

1. To gain approval for the Final Capital Programme Proposals for the years 2016/17 to 2020/21.

Recommendations

That Cabinet recommend to Council that:-

1. The final budget proposals for the Capital Programme for the years 2016/17 to 2020/21 as set out in [Appendix A](#) are approved.
2. The Managing Director and the Head of Finance, in consultation with the Cabinet Member responsible for Finance, is given delegated authority to make additions, deletions or transfers to or from the 2016/17 to 2020/21 Housing Improvement Programme as appropriate.
3. The Managing Director and the Head of Finance, in consultation with the Cabinet Member responsible for Finance, is given delegated authority to make additions, deletions or transfers to or from the 2016/17 to 2020/21 Asset Renewal budgets as appropriate.
4. The Managing Director and the Head of Finance, in consultation with the Cabinet Member responsible for Finance, is given delegated authority to make additions, deletions or transfers to or from the 2016/17 to 2017/18 Victorian Schools budget as appropriate.
5. The policy for making Minimum Revenue Provision in 2016/17 is approved.

Reasons for the Recommendations

1. To set and approve future capital programmes to 2020/21.
2. To enable the Housing Capital budget to be managed effectively.
3. To enable the Asset Renewal budgets to be managed effectively.
4. To enable the Victorian Schools budget to be managed effectively.
5. To agree the basis of the Minimum Revenue Provision calculation for 2016/17.

Background

2. The Initial Capital Programme Proposals 2016/17 to 2020/21 were presented to Cabinet on 16th November 2015 (minute C2974). They were subsequently referred to Scrutiny Committees in November/December 2015.
3. In responding to the Initial Capital Programme Proposals, no recommendations were made by the following Scrutiny Committees:-
 - Social Care and Health – 30th November 15 – noted report.
 - Economy and Environment – 1st December 15 – noted report.
 - Housing and Public Protection – 2nd December 15 – noted report.
 - Lifelong Learning – 7th December 15 – noted report.
4. Corporate Resources Scrutiny Committee, at its meeting on the 8th December 2015 (minute no. 661), recommended that the Initial Capital Budget Proposals be endorsed.
5. The minutes and recommendations of Corporate Resources Scrutiny were referred to Cabinet on the 11th January 2016 (minute no.C3037) as no recommendations were made Cabinet recommended that the Initial Capital Budget Proposals be endorsed.

Relevant Issues and Options

6. A Budget Review was carried out as part of the 2013/14 Capital Proposals, and formulated a financial strategy which stated that;
 - The Capital Programme would be approved on a five year rolling programme;
 - In order to mitigate the deteriorating situation, only Capital Bids that were deemed to meet the criteria of higher corporate priority and/or risk should be progressed;
 - The Capital Programme was set with regard to the key themes of regeneration and sustainability; and
 - The Capital Programme Proposals should maximise the availability of resources to address the Council's priorities.
7. The Final Capital Programme Proposals for 2016/17 to 2020/21 has been set broadly in line with this strategy. The programme has continued to be set as a five year rolling programme.
8. Since the draft proposals were submitted in November 2015, as set out in the financial strategy, all schemes in the Capital Programme have been reviewed. All Project Managers and Project Sponsors have been asked to examine their schemes and advise if the scheme is still required. They have also been asked to review if there are any changes to the timings and/or costs of the schemes, the changes requested are reflected in these proposals and are outlined later in this report.

Prioritisation of Schemes

9. As a starting point in the budget process, all services were required to submit new bids for the 5-year period commencing 2016/17.
10. The Corporate Asset Management Group used the criteria set out by the Budget Strategy, the bids were prioritised in terms of their corporate priority and the risk they

pose to the Council if they are not pursued. Following this the prioritisation of bids was reviewed by the Budget Working Group.

- The risk assessment element was undertaken in line with the Council's Corporate Risk Management Strategy as follows;

Possible Impact or Magnitude of Risk	Catastrophic	MEDIUM	MEDIUM/HIGH	HIGH	VERY HIGH
	High	MEDIUM/LOW	MEDIUM	MEDIUM/HIGH	HIGH
	Medium	LOW	MEDIUM	MEDIUM	MEDIUM/HIGH
	Low	VERY LOW	LOW	MEDIUM/LOW	MEDIUM
Risk Matrix		Very Unlikely	Possible	Probable	Almost Certain
Likelihood/Probability of Risk Occurring					

- Taking into account the nature of capital schemes, the following criteria were applied to assess corporate priority.

Corporate Priority	Score
Commitments and areas where the Council has no control over the expenditure, e.g. contractual and legal commitments, absolute minimum statutory service, taxes, etc.	3
Very high priority (publicly announced commitment e.g. items included in the Community Strategy, Corporate Plan etc.)	2
"Invest to Save" and preventative expenditure	2
Statutory expenditure above the absolute minimum and other priorities	1

- Clearly, limited resources will allow only those schemes of higher corporate priority and/or risk to be pursued over the next 5 years. The exact extent of this will ultimately be determined not only by the amount of General Capital Funding allocated by Welsh Government but also the strategy adopted by the Council to maximise the resources available to it from other avenues.
- As reported in the November Initial Capital Programme Proposals Report, in line with the Budget Strategy, only those schemes assessed as corporate priority 1 or higher and medium risk or higher are included in these proposals. The bids that did not meet these criteria have not been put forward for inclusion in the 2016/17 to 2020/21 programme.

Resources Available

- In previous years, the provisional General Capital Funding (GCF) settlement was received from Welsh Government (WG) during October, with the final settlement being received during December. This year, however, the initial budget proposals were not received until December 2015, due to the late timing of the UK

Government's Spending Review. Local authorities will be advised of their Final Settlement on 2nd March 2016, however, the Final Budget will be debated by WG on 9th March 2016.

16. These proposals have therefore been based on the provisional settlement, as WG have previously advised that they are not anticipating a significant change in the final settlement.
17. On 9th December 2015, the Welsh Government announced the provisional 2016/17 General Capital funding settlement. There has been a £47K (0.86%) reduction in funding from 2015/16. The Initial Capital Programme Proposals in November 2015 assumed a 10% reduction and therefore an additional £500k is available in 2016/17. There is no indication of the level of funding likely beyond 2016/17, therefore, in line with the approach adopted in the Medium Term Financial Plan, the proposals assume a reduction of 10% in each year of the programme from 2017/18. On this basis, a table representing the capital funding from the Welsh Government is shown below:

Resources from Welsh Government	16/17	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000	£'000
Supported Borrowing - General Fund	3,369	3,032	2,729	2,456	2,210
General Capital Grant	2,050	1,845	1,660	1,494	1,345
Total	5,419	4,877	4,389	3,950	3,555

18. Another means of financing capital expenditure is through capital receipts resulting from the sale of assets. Receipts from the sale of Housing Revenue Account (HRA) assets can only be spent in the HRA and cannot be used to finance General Fund capital schemes. As at 31st March 2016, the forecast balance of useable capital receipts totals £11.84M of which £1.34M is ring-fenced for Social Services and £1.07M is ring-fenced for Education. No further general capital receipts or ring-fenced Social Services capital receipts are anticipated between 2016/17 and 2020/21. A further £15.98M ring-fenced Education capital receipts for the School Investment Programme are estimated to be generated between 2016/17 and 2020/21. It should be noted, however, that projected future capital receipts are not guaranteed.
19. HRA capital receipts arise from the sale of dwellings under the Right To Buy Act, of HRA land and other HRA assets. In the case of HRA receipts, regulations set out that receipts since 1 April 2004 can only be used to fund HRA capital expenditure or to repay HRA debt. As at 31st March 2016, the forecast balance of useable HRA capital receipts is nil. No further HRA receipts have been assumed.
20. If the schemes shown in [Appendix A](#) are approved, the effect on General Fund useable capital receipts will be as shown in the following table.

Capital Receipts	Ringfenced		
	General	Social Services	Education
	£000	£000	£000
Balance as at 31st March 2016	9,430	1,339	1,069
Anticipated Required in 2016/17	-7,490	0	-1,102
Anticipated Receipt in 2016/17	0	0	38
Balance as at 31st March 2017	1,940	1,339	5
Anticipated Required in 2017/18	0	-1339	-5
Anticipated Receipt in 2017/18	0	0	0
Balance as at 31st March 2018	1,940	0	0
Anticipated Required in 2018/19	0	0	0
Anticipated Receipt in 2018/19	0	0	8,387
Balance as at 31st March 2019	1,940	0	8,387
Anticipated Required in 2019/20	-4	0	-1,404
Anticipated Receipt in 2019/20	0	0	1,875
Balance as at 31st March 2020	1,936	0	8,858
Anticipated Required in 2020/21	-223	0	-7,686
Anticipated Receipt in 2020/21	0	0	0
Balance as at 31st March 2021	1,713	0	1,172
Anticipated Required to 2026/27	0	0	-5,250
Anticipated Receipts to 2026/27	0	0	5,685
Balance as at 31st March 2027	1,713	0	1,607

21. The Education Capital Programme utilises general capital receipts in addition to capital receipts ring-fenced for Education.
22. Capital expenditure can also be funded by revenue contributions or the utilisation of existing reserves. A reserve is a sum of money that has been set aside by the Council for a specific purpose, they are voluntary and can be made when the Council determines. Advances can be made from a reserve for the purchase of assets, which are then repayable over the life of the asset and the reserve is constantly replenished e.g. Vehicle Renewals Fund. Alternatively schemes can be funded from reserves with no repayment, however, once spent that source of funding is lost.
23. One such reserve is the Project Fund which exists to finance capital and revenue projects. The aim of the Fund is to initially finance a project with repayment of such advances (including interest), where possible, being credited back to the fund. The estimated balance of the Fund as at 31st March 2016 is £3.53M. A balance of £2M will be retained as a balance on this fund. The following table shows the projected position of the fund over the next five years.

Project Fund Balance	£'000
Estimated Balance as at 1st April 2016	3,529
Anticipated Requirements – 2016/17	(1,251)
Anticipated Receipts – 2016/17	0
Balance as at 31st March 2017	2,278
Anticipated Requirements – 2017/18	(100)
Anticipated Receipts – 2017/18	0
Balance as at 31st March 2018	2,178
Anticipated Requirements - 2018/19	0
Anticipated Receipts - 2018/19	0
Balance as at 31st March 2019	2,178
Anticipated Requirements – 2019/20	0
Anticipated Receipts – 2019/20	0
Balance as at 31st March 2020	2,178
Anticipated Requirements – 2020/21	0
Anticipated Receipts – 2020/21	0
Balance as at 31st March 2021	2,178

24. In a similar vein, the Council has an IT Fund estimated at £4.19M as at the end of 2015/16. The Council relies heavily on technology to deliver its services and the Fund allows investment in this infrastructure and also enables the Council to exploit opportunities to reduce the cost of services. This is in accordance with a report from the Wales Audit Office in December 2012 entitled 'Use of Technology to Support Improvement and Efficiency in Local Government'. Best practice highlighted in the report recommends that 'A corporate technology development fund is used to fund all developments with commitment that efficiencies replenish funds'.
25. Other means of generating income to fund capital projects is through monies forthcoming under S106 planning obligations.
26. Outside of the above, the Council is heavily dependent on specific grant funding to supplement its own resources if certain capital schemes are to be progressed. Generally, this comes via Welsh Government, although contributions from other public sector organisations or associated bodies are also forthcoming. It is estimated that over the next 5 years, the level of specific grant funding for General Fund Capital Schemes is approximately £75.07M which is around £52.88M more than the level of General Capital Funding for the same period (£22.19M). The £75.07M grant funding is made up of £32.76M 21st Century Schools grant, £249K Tackling Poverty grant, £678K Renewal Area grant, £2.374M Flood Defence grants, £13.8M Major Repairs Allowance grant and £25.211M Five Mile Lane Improvement grant. Many of these schemes require a match funding contribution to be made by the Authority to the cost of the scheme.
27. When considering options for capital financing, the ability of the Council to finance the repayment of any loans it raises for the funding of capital schemes must be considered. Part 1 of the Local Government Act 2003 requires local authorities to have regard to the Prudential Code, which has been developed by CIPFA (the Chartered Institute of Public Finance and Accountancy) as a professional code of

practice. In setting the capital programme, the Council must ensure that the key objectives of the Prudential Code are complied with. The Council must ensure that its capital investment plans:

- Are affordable;
 - All external borrowing and other long term liabilities are within a prudent and sustainable level; and
 - The consequent treasury management decisions for Prudential Borrowing (also referred to as Unsupported Borrowing) are taken in accordance with good professional practice
28. The Code recognises that in making capital investment decisions the Council must have regard to option appraisal, asset management planning and strategic planning. However, given, the expected severity of cuts in future revenue resources, the potential for servicing debt not funded by Welsh Government as part of General Capital Funding or already provided for (e.g. Prudential Borrowing for the Schools Investment Programme and Housing Improvement Programme) is extremely limited as this will need to be funded through the revenue budget.
29. The projected amount of prudential borrowing utilised at 31st March 2016 is £93.971M which is made up of £6.690M for Highway Improvements under the Local Borrowing Initiative, £7.444M for 21st Century Schools Programme, £14.571M Housing Improvement Programme, £63.156M Housing Subsidy Buyout and the Local Government Borrowing Initiative for 21st Century Schools £2.110M. After allowing for repayments the balance is expected to be £91.639M at 31st March 2016.
30. The table below sets out the Council's Prudential Borrowing over the next 5 years: -

Prudential Borrowing

Scheme	2016/17	2017/18	2018/19	2019/20	2020/21	Total	Affordability
	£000	£000	£000	£000	£000	£000	
21st Century Schools Local Borrowing Initiative	528	0	0	0	0	528	Budget transferred into RSG from 2015/16
Housing Improvement Programme	23,191	2,415	4,630	1,890	1,510	33,636	Repayments factored in as part of Housing Business Plan
Total	23,719	2,415	4,630	1,890	1,510	34,164	

31. Total new Prudential Borrowing over the next 5 years is estimated at £34.164M of which £33.636M relates to the Housing Improvement Programme.
32. Future Prudential Borrowing for School Investment Programme Band B schemes totals £1.5M in 2021/22.

33. At the end of the Capital Programme period (31st March 2021) the outstanding prudential borrowing taking into account repayments is expected to be £12.9M General Fund and £100.510M HRA.

Proposed Capital Programme 2016/17 to 2020/21

34. Following consideration of all of the above, the proposed 5-year Capital Programme 2016/17 to 2020/21 is attached at [Appendix A](#). Since the Initial Capital Programme Proposals were prepared, a small number of amendments were received and are outlined below.
35. Cabinet on the 5th October 2015, considered a report on the 'Proposal to Transform Secondary Education in Barry' (minute C2931 refers) and resolved to progress recommendation 4 "That the development of a programme of work for Barry Comprehensive School be authorised to enable improvements to be made to the learning environment in the short term and that a further report on the proposed programme and estimated funding requirement be presented to Cabinet for further consideration in due course". A further report was brought to Cabinet on the 11th January 2016 (minute C3042) which included a list of works to be undertaken and resolved "That the inclusion of £210K into the 2015/16 Capital Programme and £690K into the 2016/17 Capital Programme, funded from the School Investment Reserve be approved."
36. Several schemes have been included in [Appendix A](#) which will be funded from S106 monies. These include, Fferm Goch Public Open Space £47k, Maendy Pedestrian Sustainable Transport Improvements £81k, Improvement works at Heol Llidiard Community Hall £37k and Mobile vehicle signs £35k.
37. As part of the transport review the use of vehicles by the Authority has been extensively reviewed, which has meant that the purchase of new vehicles under the scheme has been delayed. In addition, an amendment to the level of expenditure in the Capital Programme is required, to reflect the continuing need to replace vehicles across the Council. The proposed revised expenditure is set out in the table below and differs from the Initial Capital Programme Proposals report which went to Cabinet in November 2015:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's	£000's
Original Expenditure	1,453	616	1,338	800	800
Revised Expenditure	1,140	1,140	1,140	1,140	1,128

38. Vehicles can be funded from the Vehicle Renewals Fund or can be leased. The level of and financing of this expenditure will be reviewed as a result of the outcome of the Transport review.
39. The provisional capital settlement did not decrease by the 10% predicted in the Initial Capital Programme Proposals. Given the low level of All Services Asset Renewal funding shown against the Resources Directorate it is proposed that the All Services Asset Renewal budget is increased year on year by the difference. However, £100k of this increase in 2016/17 has been allocated to the Social Services Asset Renewal budget in order for them to prioritise urgent works to their buildings as required.
40. Slippage requested through Capital Monitoring reports at Cabinet on the 25th January and the 8th of February have been included in [Appendix A](#) of this report.

The Financial Strategy

41. The Capital Programme is set having regard to the Council's corporate priorities, which are included in the draft Corporate Plan through the 4 well-being outcomes which are: -
- An Inclusive and Safe Vale
 - An Environmentally Responsible and Prosperous Vale
 - An Aspirational and Culturally Vibrant Vale
 - An Active and Healthy Vale
42. These outcomes demonstrate the Council's commitment to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need. Examples are as follows:-
- Continued investment in housing through the Housing Improvement Programme to achieve the Welsh Housing Quality Standard and with further expenditure planned as outlined in the Housing Business Plan;
 - Additional funding of £600k made available between 2015/16 and 2016/17 for further regeneration schemes as part of the Barry Regeneration Partnership, which includes refurbishment of local parks;
 - Further investment in schools through the School Investment Programme with Band A underway and future development under Band B anticipated to commence in 2019/20; and
 - Additional funding being provided in 2016/17 and 2017/18 for Disabled Facilities grants.
43. In the Final Capital Programme Proposals 2015/16 to 2019/20 a number of pressures were identified that would need to be subject to on-going review and management as follows;

Capital Budget Pressure	Mitigating Action Taken
The possibility of increased demands upon flooding, coastal protection and the environment generally (including an accelerated deterioration of the highways infrastructure).	£130K for Flood Management schemes at Boverton have been carried forward into the 2016/17 Capital Programme. On-going funding for Flood Risk Management is provided for in the five year capital programme at £100K per annum, as detailed in paragraph 64.
The general shortfall of funding available to address the Council's asset renewal requirements.	Bids for Asset Renewal were ranked in accordance with Risk and Corporate Priority to help assist with rationing the scarce resources available. Following a review of Asset Renewal requirements as part of the budget process an additional £400K had been allocated to the Education service in 2016/17 of which £380K has been brought forward into 2015/16 to carry out urgent works. An additional £400K has been allocated each year from 2017/18 to 2019/20. An

	additional £500K has been added to Visible Services in 2016/17 for Highways Resurfacing and Maintenance Works. A £200K asset renewal budget in 2016/17 and £100K per annum between 2017/18-2020/21 has been allocated to Social Services in order for them to prioritise urgent works to the buildings. The All Services asset renewal budget has also been increased as detailed in paragraph 39.
The Council's ambitions for further regeneration and how they can be realised.	Provision is made in each year of the capital programme for regeneration via the Barry Regeneration Partnership Fund and £100K each year for the Regeneration Fund as detailed in paragraph 65.
The continued expansion over time of the Schools Investment Programme.	Band B Schemes for the School Investment Strategy have now been included in the Capital Programme. Welsh Government has confirmed that Band B will commence in 2019/20. It is estimated that the cost of Band B will be in the region of £67.4M and it is assumed that the Welsh Government grant intervention rate will be 50%.
Funding of Renewal Areas to address housing, social and environmental problems in the light of reduced grant availability.	In 2016/17 an allocation of £500K has been made for match funding the Renewal Area Grant. Grant funding for this scheme is expected to end in 2016/17.

School Investment Programme

44. The 21st Century Schools Programme is the Welsh Government's funding initiative for investment in schools. The first tranche of schemes under the Band A funding were submitted prior to November 2011. Band A schemes run between 2013/14 and 2018/19. Band B schemes are expected to commence in 2019/20.
45. The schemes included under the Band A submission for construction, between 2013/14 and 2018/19, are Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield, Colcot and Llantwit Learning Community.
46. In April 2014, WG notified the Council that some of the funding for Band A of the 21st Century Schools Programme would be in the form of unsupported borrowing instead of a revenue grant. The Council will be expected to borrow however, WG will provide revenue funding to cover the cost of the loan. In 2014/15 this was via a specific grant and from 2015/16 the funding has been distributed through the Revenue Support Grant. This has no impact on the value of the Capital Programme, only the way in which it is funded.
47. In September 2014 the Vale of Glamorgan Council received notification from WG that the funding envelope for 21st Century Schools was increased from £20.960M to £29.898M. As reported in the Final Capital Programme Proposals in February 2015, the Council has increased their contribution to the programme by a further £950k for the Llantwit Major Learning Community Scheme and this was approved by Cabinet on 12th January 2015 (Minute C2607), therefore, the total funding envelope is now £30.848m. This excludes the £650k added to the Capital Programme for Llantwit

Learning Community requested as part of the Initial Capital Programme Proposals report.

48. The Band A Programme is progressing well. Phase one of the Penarth Learning Community scheme is complete and the Learning Community is occupied. Phase two is complete apart from the seeding of the grass pitches which will commence at Easter. Ysgol Nant Talwg and Ysgol Dewi Sant are complete and the schools are occupied. Phase three of Ysgol Gwaun Y Nant completed in November 2015 and the school was occupied in January 2016, the woodland area at the rear of the site is complete apart from the seeding which will commence in the spring. The building works at Oakfield are now complete and the school is occupied, the increased area to the playing field is to be seeded in the spring. The Llantwit Learning Community scheme is underway and works started on site in August 2015. The Colcot Primary scheme is due to start in 2016/17.
49. The following table shows the planned spend on the Education Capital Programme from 2016/17 to 2020/21 incorporating expenditure under Band A and Band B schemes funded under 21st Century Schools Programme. Gross Expenditure totals £80.637M.

Proposed Education Programme to 2020/21

By Scheme	16/17	17/18	18/19	19/20	20/21	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Ysgol Dewi Sant	35	0	0	0	0	35
Llantwit Learning Community	13,052	1,240	29	0	0	14,321
Gwaun Y Nant & Oakfield	47	0	0	0	0	47
Colcot	250	250	0	0	0	500
Barry Secondary School	0	750	0	0	0	750
Eagleswell Demolition	300	0	0	0	0	300
Band B Schemes	0	0	0	18,361	32,927	51,288
St Cyres Lower School Marketing and Disposal	65	0	0	0	0	65
Eagleswell Marketing and Disposal	83	5	0	0	0	88
Barry Comprehensive School Internal and External Refurbishment Works	690	0	0	0	0	690
Asset Renewal	620	1,000	1,000	1,000	600	4,220
Asset Renewal Contingency	50	50	50	50	50	250
Rhoose S106	0	1,500	1,762	0	0	3,262
Gwenfo Primary Expansion	454	11	0	0	0	465
St Brides Expansion	346	10	0	0	0	356
Victorian Schools	1,200	800	0	0	0	2,000
Schools ICT Loans	200	200	200	200	200	1,000
Schools Capital Loan Schemes	200	200	200	200	200	1,000
Total	17,592	6,016	3,241	19,811	33,977	80,637

50. The total allocation for Victorian Schools between 2016/17 and 2020/21 is £2M to support works across 21 Victorian Schools to address the existing issues with lath and plaster and masonry deterioration. Work is currently being carried out by Property Services to assess the works required between 2016/17 and 2017/18.

51. There is an asset renewal budget of £1m per annum from 2016/17 to 2019/20 however, £380k of this amount in 2016/17 has been approved to be brought forward into 2015/16. £300k of which was detailed in the Initial Capital Programme Proposals report and £80k which was approved by Delegated Authority to increase the budget for Ysgol Bro Morgannwg Kitchen Roof Renewal in 2015/16. In addition there is a £50k asset renewal contingency budget in each year. From 2020/21 the asset renewal budget has to reduce to the original £600k allocation due to increasing constraints on resources and the 21st Century Schools Band B Programme. Education in consultation with Property Services, allocate this budget in year to various schemes including rolling programmes of boiler and toilet renewal.
52. Band B Schemes are expected to commence in 2019/20 and in December 2014 the Council submitted proposals for a number of schemes to Welsh Government. Based on latest indications, it has been assumed that 50% funding will be available from Welsh Government to fund these schemes. However, there is no guarantee that this funding will be available from Welsh Government or what form it will take.
53. Indicative strategic projects for the Council under Band B funding would seek to address the following:
- Expanding primary sector capacity and addressing the condition of school buildings in various areas across the Vale; and
 - Rationalisation of school buildings currently situated on split sites.
54. The total cost for Band B schemes is projected to be in the region of £67.4m and of this total £18.361m and £32.927m have been included in [Appendix A](#) for 2019/20 and 2020/21 respectively.
55. The Education Capital programme is anticipated to be funded as follows;

By Funding Source	16/17	17/18	18/19	19/20	20/21	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Capital Funding	4,593	1,800	1,189	1,160	1,155	9,897
Capital Receipts	4,574	5	0	1,404	7,581	13,564
Other Reserves and Revenue Contribution	0	0	0	1,000	0	1,000
School Investment Reserve	2,293	1,665	290	1,397	3,391	9,036
School Rationalisation and Improvements Reserve	200	200	200	200	200	1,000
IT Fund	200	200	200	200	200	1,000
Prudential Borrowing	528	0	0	0	0	528
Total Internal Funding	12,388	3,870	1,879	5,361	12,527	36,025
S106 Agreements	769	1,021	1,362	7,700	1,000	11,852
Welsh Government Grant	4,435	1,125	0	6,750	20,450	32,760
Total Funding	17,592	6,016	3,241	19,811	33,977	80,637

Housing Improvement Programme

56. The Welsh Government requires all local authorities who retain their housing stock to submit an acceptable Housing Business Plan annually that incorporates a detailed financial forecast in the form of a 30 year financial model. The Business Plan is the

primary tool for a local authority's housing landlord service and includes all assets within the Council's Housing Revenue Account (HRA).

57. The latest annual Business Plan will be submitted to Welsh Government in February 2016, and forms the basis of the Major Repairs Allowance (MRA) grant application, a pivotal financing component for the Housing Improvement Programme (to meet the Welsh Housing Quality Standard (WHQS)).
58. The MRA for 2016/17 has not yet been announced by the Welsh Government but the assumed budget in [Appendix A](#) remains at £2.760M p.a., as received in 2015/16.
59. The latest Business Plan projections will be reported to Cabinet on 22nd February 2016, before being brought to Council for approval on 2nd March 2016.
60. The Final Capital Programme Proposals reflect the level of works required to meet and maintain WHQS, and potential investment in new build and regeneration schemes, as per the latest Plan.
61. It is expected that WHQS will be attained by April 2017, with on-going work required to maintain the standard based on component lifecycles. In addition the latest Housing Improvement Programme includes new build and regeneration work of £22.53M between years 2016/2017 and 2020/2021.
62. The budget for the Housing Improvement Programme is shown as one line in [Appendix A](#), this will be allocated to schemes in the new financial year through a Delegated Authority request. The funding of the programme has been amended since the Initial Capital Programme Proposals in November 2015 and these changes are detailed below and reflect the updated work profiles based on the revised Housing Business Plan and slippage from 2015/16.

Original Funding	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000's	£'000's	£'000's	£'000's	£'000's
Housing Reserves	3,910	3,767	4,776	4,809	0
MRA Grant	2,760	2,760	2,760	2,760	0
Unsupported Borrowing	19,434	1,688	3,222	784	0
Total Budget	26,104	8,215	10,758	8,353	0

Revised Funding	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000's	£'000's	£'000's	£'000's	£'000's
Housing Reserves	2,931	2,959	3,286	3,619	4,095
MRA Grant	2,760	2,760	2,760	2,760	2,760
Unsupported Borrowing	23,191	2,415	4,630	1,890	1,510
Total Budget	28,882	8,134	10,676	8,269	8,365

Other Schemes

63. A sum of £800K per annum is included to address high priority Visible Services assets and infrastructure improvements.

64. Flood Risk Management funding of £100K per annum is provided in addition to funding slipped from 2015/16 for Flood Risk Management Schemes at Boverton, and Llanmaes.
65. A sum of £624K (including slippage from 2015/16) in 2016/17 and £300K from 2017/18-2020/21 has been allocated in relation to the Barry Regeneration Partnership. As well as being used for preparatory work (e.g. site investigations), this may also be applied as match funding to lever additional sources of grant funding. In addition, a further £100K has been allocated each year to fund regeneration initiatives including feasibility studies. A sum of £49K has been carried forward from 2015/16 into 2016/17 for feasibility studies into future improvements at Penarth including the Esplanade.
66. Funding for Disabled Facilities Grants of £5.35M has been provided in total over the 5 years.

Resource Implications (Financial and Employment)

67. The table below details the General Capital Funding and internal resources required to fund the schemes proposed in [Appendix A](#).

Analysis of Net Funding Required for the 2016/17 Capital Programme

General Fund	£'000
Welsh Government Resources:	2,050
Supported Borrowing	3,369
 Council Resources:	
Capital Receipts	8,592
Unsupported (Prudential) Borrowing	528
Revenue/Reserves/Leasing	10,654
 Net Capital Resources	 25,193
 Housing	
Council Resources:	
Capital Receipts	0
Unsupported (Prudential) Borrowing	23,191
Housing Reserves	2,931
 Net Capital Resources	 26,122

68. Reduced resources will restrict the number and size of capital schemes that the Council is able to fund. The gross value of schemes assessed as lower corporate priority and risk totals £19.18M between 2016/17 and 2020/21 and as advised in the Initial Capital Programme Proposals are not included in the Final Proposed Capital Programme 2016/17 to 2020/21.
69. There will also be significant pressures on spending post 2020/21 which are not yet funded. These include the backlog of school, highway and buildings repairs which in

time could expand beyond issues associated with repairs and maintenance to those of 'fit for purpose' considerations.

Annual Minimum Revenue Provision Statement 2016/17

70. Capital expenditure when financed by long term debt incurs two elements of cost, interest on and repayment of the principal sum borrowed. The resources the Council must put aside in each year to repay the principal sum borrowed is known as the "Minimum Revenue Provision' (MRP). Pre 2008 there were detailed statutory rules for the calculation of MRP as laid down in the 2003 regulations but the introduction of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 which became effective from the 31st March 2008, replaced these statutory rules with: 'A local authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent.'
71. Welsh Government has issued guidance on what constitutes prudent provision and this requires the Council to approve an annual statement of its policy on calculating MRP
72. The "Practitioners' Guide to Capital Finance in Local Government (2012 edition) " discusses four options for the prudent provision of MRP as follows:
- Option 1 - The Regulatory Method, calculation of MRP provision by applying the statutory formula set out in the 2003 regulations.
- Option 2 - Capital Financing Requirement (CFR) Method, calculation of MRP provision by multiplying the CFR at the end of the preceding year by 4%.
- Option 3 - Asset Life Method, calculation of MRP provision by amortising expenditure over the estimated useful life for the relevant assets created.
- Option 4 - Depreciation Method, calculation of MRP provision by making charges to revenue based on proper practices for depreciation as they apply to the relevant assets.
73. The Council is required to have a consistent MRP policy it is therefore proposed that the MRP charge for 2016-2017 for capital expenditure will be calculated as in previous years using option 1 as detailed above. Taking into account the nature and age of the Council's non current assets the Council has concluded that a 4% charge is sufficient to ensure prudent provision and this approach matches the funding stream from Welsh Government.
74. Some Councils have revised or are in the process of reviewing the level of MRP charged to revenue to realise savings. However, having considered the requirement to ensure prudent MRP provision and taking into account the statutory duties under the "Well-being of Future Generations Act 2015 which has been introduced to ensure that the needs of the present are met without compromising the ability of future generations, the Council does not intend to amend its MRP policy for 2016-2017. The Council will review its approach to MRP provision in line with future revenue streams and new guidance.
75. The basis of the calculation is as follows:

	£'000
Estimated Non Housing Capital Financing Requirement at 31.03.16*	106,969

Add Adjustment 'A' **	2,004
Total	108,973
4% of the Total (the adjusted CFR)	
= MINIMUM REVENUE PROVISION	4,359

*The Non Housing Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes and is the Council's cumulative capital expenditure financed only by long term borrowing, less the total MRP made in previous years.

** Adjustment 'A' nullifies the revenue effect of the changes to MRP calculation following the introduction of the Prudential Code in 2004.

76. Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.
77. Included in the 2016/17 revenue estimates are principal repayments totalling £586,000 in respect of Prudential (unsupported) Borrowing (i.e. not supported for Revenue Grant Purposes) for 21st Century Schools, Penarth Learning Community and the Local Road Network Improvement scheme. The provision in respect of these schemes is commensurate with the applicable WG funding streams.
78. The Section 151 Officer considers that the estimated costs of unsupported borrowing are both prudent and sustainable.

Sustainability and Climate Change Implications

79. Sustainability is one of the main strands of the financial strategy for capital. Several of the schemes included in these proposals will assist in addressing the impact of climate change.
80. One of the purposes of the Sustainable Development Working Group is to review the sustainability of major capital schemes. Wherever possible, the Council strives to reduce carbon emissions and improve energy efficiency and positively encourages waste reduction initiatives.

Legal Implications (to Include Human Rights Implications)

81. The Council is required to show that capital expenditure is covered by identified resources when developing its Final Capital Programme proposals.

Crime and Disorder Implications

82. The obligations of the Council with regard to Section 17 need to be fully considered in the budget decision making process.

Equal Opportunities Implications (to include Welsh Language issues)

83. Additional finance improves the Council's opportunities for assisting disadvantaged members of society.

Corporate/Service Objectives

84. Funds allocated contribute to the wide range of corporate service objectives as set out in the Corporate Plan.

Policy Framework and Budget

85. This report is following the procedure laid down in the constitution for the making of the capital budget and needs to be referred to Council to make the final decision.

Consultation (including Ward Member Consultation)

86. The Corporate Management Team has been consulted on the proposals.

Relevant Scrutiny Committee

87. Corporate Resources

Background Papers

Bids received from departments

Correspondence received from the Welsh Government

Contact Officer

Victoria Lloyd
Capital Accountant

Officers Consulted

Corporate Management Team

Responsible Officer:

Carys Lord
Section 151 Officer