

The Vale of Glamorgan Council

Cabinet Meeting: 20th February 2017

Report of the Leader

Final Capital Proposals 2017/18 to 2021/22

Purpose of the Report

1. To gain approval for the Final Capital Programme Proposals for the years 2017/18 to 2021/22.

Recommendations

That Cabinet recommend to Council that:-

1. The final budget proposals for the Capital Programme for the years 2017/18 to 2021/22 as set out in [Appendix 1](#) 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 2017/18 to 2021/22 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 2017/18 to 2021/22 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 2017/18 Victorian Schools budget as appropriate.
5. 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 S106 funded schemes subject to Member consultation as required under the existing process.
6. That Cabinet approves the following changes to the 2016/17 and 2017/18 to 2021/22 Capital Programme:
 - Romilly Primary School: That the budget for this scheme is reprofiled as set out in paragraph 35 to this report.
 - Modular Building Resiting: The carry forward of £20K to 2017/18 to fund Fairfield Nursery Adaptations and £62K to 2017/18 and a further £1K to 2018/19 fund the Modular Building Resiting scheme.

- St Josephs Nursery and Early Intervention Base (EIB) : The capital programme in 2017/18 is increased by £1,031K for the scheme to establish Nursery Provision and to locate an Early Intervention Base at the school. The scheme will be funded from £801K Section 106 contributions and £230K capital receipts.
- Vehicle Replacement Programme : That the budget for this scheme is reprofiled as set out in paragraph 39 and 46 of this report.
- Coldbrook Flood Risk Management : That the budget for this scheme is increased to £4.820M in 2016/17 and £1.412M in 2017/18 in line with the approved Contract sums, this will be funded from £5.298M WG Grant funding, £66K from capital receipts and £868K from reserves
- SPACE Project and Civic Office Rewire and Network Rewire Schemes: That the budget for this scheme is reprofiled as set out in paragraph 41 of this report.
- Court Road Depot : That £300K is carried forward to 2017/18 for this scheme.

Reasons for the Recommendations

1. To set and approve future capital programmes to 2021/22.
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 enable S106 schemes to be managed effectively.
6. To amend the 2016/17 and future years Capital Programme and to seek approval from Cabinet and Council.

Background

2. The Initial Capital Programme Proposals 2017/18 to 2021/22 were presented to Cabinet on 14th November 2016 (minute C3363). They were subsequently referred to Scrutiny Committees in December 2016.
3. In responding to the Initial Capital Programme Proposals, no specific recommendations to amend the Initial Proposals were made by Scrutiny Committees. Further to the Initial Proposals Environment and Regeneration Scrutiny Committee recommended;

THAT a joint letter from the Chairmen of the Environment and Regeneration and Corporate Performance and Resources Scrutiny Committees be forwarded to Welsh Government calling for a fund to be established for infrastructure issues, in particular for road and pavement resurfacing.

4. Corporate Performance and Resources Scrutiny Committee, at its meeting on the 13th December 2016 (minute no. 617), recommended that the Initial Capital Budget Proposals be endorsed.
5. The minutes and recommendations of Corporate Performance and Resources Scrutiny Committee were referred to Cabinet on the 9th January 2017 (minute no.C3420) and as no recommendations were made, Cabinet recommended that the contents of the report be noted and passed to the Budget Working Group for consideration in concluding the budget proposals for 2017/18.

Relevant Issues and Options

6. The 2017/18 to 2021/22 Capital Proposals have been set in accordance with the following financial strategy;
 - The Capital Programme would be approved on a five year rolling programme;
 - In order to mitigate the anticipated reduction in funding in future years, only Capital Bids that were deemed to make a contribution to the Council's priorities under the Wellbeing and Future Generations Act, 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. Since the draft proposals were submitted in November 2016, 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

8. As a starting point in the budget process, all services were required to submit new bids for the 5-year period commencing 2017/18.
9. The Insight Group used a number of criteria to assess the Capital Bids. The first criteria used was to classify the nature of the bids, the criteria used is set out below;

Priority Level	Criteria
A	Health and Safety legislation
B	Other Legislation/Statutory Requirement
Ci	Economic Sense/Invest to Save
Cii	Corporate Plan
Ciii	Sufficiency
D	Condition/Suitability
E	Welsh Government Requirements
F	Low Priority

10. Where bids are rated an A or B on the above criteria there would clearly be a legal obligation to ensure that works are progressed in a timely manner within the confines of the funding available. Schemes that represent an invest to save opportunity or support the achievement of corporate priorities should also be prioritised.
11. In addition, in accordance with the criteria set out in 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. 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				

12. 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
Low Priority	0

13. The bids were also reviewed for the contribution that they made to the Wellbeing and Future Generations criteria as set out below;
- Long Term
 - Integration
 - Collaboration
 - Prevention
 - Involvement
14. Each scheme was awarded one point for every one of the outcomes that it met to a maximum of 5.
15. Only those schemes assessed as corporate priority 1 or higher and medium risk or higher are included in these proposals. In addition the schemes put forward should contribute to at least three Wellbeing and Future Generations outcomes and should have a scheme priority factor of either A/B/Ci/Cii/Ciii. The bids that did not meet these criteria have not been put forward for inclusion in the 2017/18 to 2021/22 programme.

Resources Available

16. On 21st December 2016, the Welsh Government announced the final 2017/18 General Capital funding settlement. There has been a £14K (0.26%) reduction in funding from 2016/17. The Initial Capital Programme Proposals in November 2016 assumed a 10% reduction year on year. Having considered that the authority's

capital funding has been flatlined for the past two financial years and reviewing the assumptions adopted by a number of other authorities across Wales, the assumed future funding has been revised to a 5% reduction year on year to 2021/22. The change to this assumption increases the funding in 2018/19 by £270K and has a knock on effect throughout the programme.

17. On this basis, a table representing the capital funding from the Welsh Government is shown below:

Resources from Welsh Government	17/18	18/19	19/20	20/21	21/22
	£'000	£'000	£'000	£'000	£'000
Supported Borrowing - General Fund	3,360	3,192	3,032	2,880	2,736
General Capital Grant	2,045	1,943	1,846	1,754	1,666
Total	5,405	5,135	4,878	4,634	4,402

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 2017, the forecast balance of useable capital receipts totals £6.085M of which £1.327M is ring-fenced for Social Services and £1.299M is ring-fenced for Education. No further general capital receipts or ring-fenced Social Services capital receipts are anticipated between 2017/18 and 2021/22. A further £9.114M ring-fenced Education capital receipts for the School Investment Programme are estimated to be generated between 2017/18 and 2021/22. It should be noted, however, that projected future capital receipts are not guaranteed and failure to achieve the projected level of capital receipts could impact the affordability of the current 21st Century Schools Band B proposals.
19. HRA capital receipts arise from the sale of dwellings under the Right To Buy Act, 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 2017, the forecast balance of useable HRA capital receipts is nil as any receipts received in a year are used to fund expenditure incurred in that same year. No further HRA receipts have been assumed.
20. If the schemes shown in [Appendix 1](#) are approved, the effect on General Fund useable capital receipts will be as shown in the following table.

Capital Receipts	General	Ringfenced Social Services	Ringfenced Education
	£000's	£000's	£000's
Anticipated Balance as at 1st April 2017	3,459	1,327	1,299
Anticipated Requirements – 2017/18	(2,583)	0	0
Anticipated Receipts – 2017/18	0	0	0
Balance as at 31st March 2018	877	1,327	1,299
Anticipated Requirements – 2018/19	(100)	(1,327)	0

Anticipated Receipts – 2018/19	0	0	0
Balance as at 31st March 2019	776	0	1,299
Anticipated Requirements – 2019/20	(127)	0	(2,617)
Anticipated Receipts – 2019/20	0	0	4,557
Balance as at 31st March 2020	649	0	3,239
Anticipated Requirements – 2020/21	(313)	0	(7,796)
Anticipated Receipts – 2020/21	0	0	4,557
Balance as at 31st March 2021	336	0	0
Anticipated Requirements – 2021/22	(100)	0	0
Anticipated Receipts – 2021/22	0	0	0
Balance as at 31st March 2022	236	0	0
Anticipated Requirements – 2022/23	0	0	0
Anticipated Receipts – 2022/23	0	0	0
Balance as at 31st March 2023	236	0	0

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 estimated balance of the Fund as at 31st March 2017 is £4.293M. 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	£'000
Anticipated Balance as at 1st April 2017	4,293
Anticipated Requirements – 2017/18	(2,054)
Anticipated Receipts – 2017/18	0
Balance as at 31st March 2018	2,239
Anticipated Requirements – 2018/19	(22)
Anticipated Receipts – 2018/19	0
Balance as at 31st March 2019	2,217
Anticipated Requirements – 2019/20	(62)
Anticipated Receipts – 2019/20	0
Balance as at 31st March 2020	2,155

Anticipated Requirements – 2020/21	(150)
Anticipated Receipts – 2020/21	0
Balance as at 31st March 2021	2,005
Anticipated Requirements – 2021/22	0
Anticipated Receipts – 2021/22	0
Balance as at 31st March 2022	2,005

24. In a similar vein, the Council has an IT Fund estimated at £3.493M as at the end of 2016/17. 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 £67.804M which is around £43M more than the level of General Capital Funding for the same period (£24.454M). The £67.804M grant funding is made up of £0.205 Band A 21st Century Schools grant, £31.2M Band B 21st Century Schools grant, £3.338M Flood Defence and Structures grants, £13.85M Major Repairs Allowance grant and £19.211M Five Mile Lane Improvement grant. Many of these schemes require a match funding contribution to be made by the Council 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 2017 is £95.053M which is made up of £6.690M for Highway Improvements under the Local Borrowing Initiative, £7.444M for 21st Century Schools Programme, £16.626M Housing Improvement Programme, £63.156M Housing Subsidy Buyout and the Local Government Borrowing Initiative for 21st Century Schools £1.137M. After allowing for repayments the balance is expected to be £90.968M at 31st March 2017.

30. The table below sets out the Council's Prudential Borrowing over the next 5 years: -

Prudential Borrowing

Scheme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
21st Century Schools Local Borrowing Initiative	1,500	0	0	0	0	1,500
21st Century Schools Band B	0	0	0	2,000	0	2,000
Housing Improvement Programme	13,269	5,430	4,149	639	212	23,699
Total	14,769	5,430	4,149	2,639	212	27,199

31. Total new Prudential Borrowing over the next 5 years is estimated at £27.199M of which £23.699M relates to the Housing Improvement Programme.

32. Future Prudential Borrowing for School Investment Programme Band B schemes totals £2M in 2021/22.

33. At the end of the Capital Programme period (31st March 2022) the outstanding prudential borrowing taking into account repayments is expected to be £13.564M General Fund and £91.8M HRA.

Amendments to the 2016/17 Capital Programme

34. Reprofiling is required across some significant schemes in the Capital Programme as set out below;

35. Romilly Primary School - The Council received approval of the award of funding for this scheme in December and the funding for the scheme now needs to be reprofiled as follows;

	2016/17	2017/18	2018/19
	£000's	£000's	£000's
Original Profile	0	1,200	0
Revised Profile	40	1,124	36

36. Barry Comp Internal and External Refurbishment Works - There is a significant underspend against the original schedule of works as a result of the items being

determined to be unsuitable for the school and also some of the works being delivered below the initial cost estimate. The current underspend offers the opportunity for additional works to be carried out at the school or for other priority schemes to be progressed across the wider School estate. The proposed use for this underspend will be subject to a further report.

37. Modular Building Resiting - It is requested that £82K is carried forward to 2017/18 and £1K to 2018/19. Of this £20K would be utilised as per the Cabinet report of 31st October 2016 for adaptations at Fairfield Primary School to enable Nursery provision to be established at the school. The balance of £62K in 2017/18 and £1K in 2018/19 will be utilised to complete the resiting works.
38. St Josephs Nursery and Early Intervention Base (EIB) - The Council has secured S106 funding of £801K from local housing developments. In addition Capital Receipts of £230K will be utilised for a projected total scheme cost of £1.031M that will be used to enhance facilities at St Joseph's RC primary school. The funding will be used to;
 - Facilitate internal alterations to the school learning environment and thus increasing school capacity;
 - Establish a new nursery unit; and
 - Locate an Early Intervention Base (EIB) at the schoolThe Early Intervention Base will operate as a satellite of Ysgol Y Deri special school and therefore staff will be employed by Ysgol Y Deri who will be responsible for their management. Pupils attending the Early Intervention Base will be either on roll at Ysgol Y Deri or their home school and not St Joseph's.
39. Vehicle Replacement Programme - Following a delay in purchasing a number of new vehicles pending the outcome of the Reshaping Services review of Visible Services, it is requested that £2.095M is carried forward to 2017/18. The Vehicle Replacement Programme has been reprofiled throughout the programme as set out in paragraph 46 to this report.
40. Coldbrook Flood Risk Management - As reported to Cabinet on 23rd January 2017, the scheme has encountered some delays and additional costs. The Cabinet report requested that the Capital Programme sum was increased to £3.801M in 2016/17 and £0.670M in 2017/18 subject to WG approval of the 85% grant funding required. Delegated Authority was also granted to increase the contract sum beyond this amount. As it is now anticipated that this Delegated Authority will be requested, it is proposed to increase the capital programme in line with the maximum contract sum as set out in the 23rd January 2017 report. The revised profile of the scheme will be £4.820M in 2016/17 and £1.412M in 2017/18. This will be funded from £5.298M WG Grant funding, £66K from capital receipts and £868K from reserves.
41. SPACE Project and Civic Office Rewire and Network Rewire Schemes - New fire barriers were required to the second and third floors above the suspended ceilings which could not be determined until the ceilings were removed. These additional works have resulted in an extension to the programme for the SPACE and network rewiring projects and the scheme budgets have been reprofiled as shown overleaf;

	2016/17	2017/18	2018/19
	£000's	£000's	£000's
Original Estimates	2,929	125	0
Revised Estimates	1,400	1,600	54

42. Court Road Depot - As options for the site are still being explored it is proposed that the current sum of £300K is carried forward to 2017/18 to enable the rationalisation of Council accommodation to proceed as required.

Proposed Capital Programme 2017/18 to 2021/22

43. Following consideration of all of the above, the proposed 5-year Capital Programme 2017/18 to 2021/22 is attached at [Appendix 1](#).
44. Since the Initial Capital Programme Proposals were prepared, a small number of amendments were received and are outlined below.
45. Several schemes have been included in [Appendix 1](#) which will be funded from S106 monies. These include schemes to enhance Fferm Goch Public Open space, improve sustainable transport and ongoing enhancements for the local community in respect of the Penarth Heights development. Schemes to expand Rhws Primary education, to implement Nursery and Early Intervention provision at St Josephs and the Mixed Sex and Welsh Medium Band B schemes also have significant contributions from S106 as a result of local developments in the respective areas.
46. As part of the transport review the use of vehicles by the Council 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 which were reported to Cabinet in November 2016:

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000's	£000's	£000's	£000's	£000's
Original Expenditure	1,140	1,140	1,140	1,140	1,128
Revised Expenditure	3,235	1,756	1,250	901	922

47. Vehicles can be funded from the Vehicle Renewals Fund, alternatively the vehicles could be leased or borrowed for using prudential borrowing. The level of and financing of this expenditure will be reviewed during 2017/18.
48. Slippage requested through Capital Monitoring reports at Cabinet on 23rd January 2017 and 6th of February 2017 have been included in [Appendix 1](#) of this report.
49. As part of the Initial Revenue Proposals report presented to Cabinet on 14th November 2016 it was projected that the outturn for Policy for 2016/17 would be a favourable variance of £4m. Cabinet resolved "That the sum of £4 million be set aside to the General Fund and consideration be given for that allocation to be used to offset the shortfall in the revenue budget and/or used for capital schemes, the details of which will be considered by the budget working group before the final revenue proposals are presented to Cabinet and Council for approval".

50. Options for this funding have been considered by the Budget Working Group. £1M will be transferred into the Visible Services fund and used to carry out additional road and pavement resurfacing works over the next 2 years as shown in [Appendix 1](#). Under the Local Development Plan, site provision must be made for Gypsy Travellers. Further work will need to be undertaken as to the final requirements and £1M will be set aside in a fund for a Gypsy/Traveller site scheme. It is also proposed that £500K is placed in the Council Building Fund to generally finance schemes included in the proposed capital programme and £500K is transferred into the Visible Services fund to be used to finance future capital expenditure.

Delivering Well Being

51. The Capital Programme is set having regard to the Council's corporate priorities, which are included in the 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

52. 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 for new build and environment and regeneration programmes;
- Investing in the introduction of LED street lighting will bring environmental benefits;
- Further investment in schools through the School Investment Programme with Band A substantially complete and future development under Band B anticipated to commence in 2019/20;
- Additional funding being provided in 2018/19 and 2021/22 for Disabled Facilities grants; and
- Investment in the Leisure Centres to encourage more use and activity.

53. In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow. These budget proposals reflect this new approach to working. The 5 ways of working are :

Looking to the long term - The capital proposals is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that future need and demand for services is understood;

Taking an integrated approach - The capital proposals highlight and encourages ways of working with partners as it utilises funding received from various sources to deliver schemes such Welsh Government and S106 funding;

Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners;

Working in a collaborative way – The capital proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future which includes providing funding to work with local communities; and

Understanding the root cause of issues and preventing them – The capital budget setting process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

Financial Strategy

54. In previous Capital proposals a number of pressures have been 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).	Recurring sums have been set aside to fund annual works for flood and coastal protection. Recurring sums have also been set aside for resurfacing. An additional sum of £1M is to be set aside from the projected 2016/17 underspend into the Visible Services Reserve to assist with the pressures in these areas.
The general shortfall of funding available to address the Council's asset renewal requirements.	Rationalisation of accommodation should assist with this pressure as it will minimise the number of properties with Asset Renewal requirements. In light of this pressure the asset renewal budget for schools has been increased to £823K in 2017/18 and £1M in 2018/19. In the 2016/17 to 2020/21 Capital proposals a recurrent £100K for Social Services asset renewal was allocated. Any underspends against these budgets should be reported and will be ringfenced for future asset renewal requirements against the service's assets.
The Council's ambitions for further regeneration and how they can be realised.	Regeneration is a central theme of the capital programme. The Council has committed to a recurring sum for Regeneration of £300K and has prioritised regeneration schemes as part of the 2017/18 bids.
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 £63.3M 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.	The WG renewal area grant comes to an end in March 2017. The Council has allocated in the capital programme a sum of £150K, £300K and £300K in 2017/18, 2018/19 and 2019/20 respectively to Housing Regeneration and this could be used as match funding for any potential future sources of WG funding.

School Investment Programme

55. 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.
56. 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, Romilly Primary and Llantwit Learning Community.
57. The Band A Programme is progressing well. Penarth Learning Community, Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield are complete and occupied. The Llantwit Learning Community scheme is substantially complete and the school is due to be occupied in February 2017. The Colcot Primary scheme is underway with further works due to take place over the Summer holidays. The Romilly Primary Scheme received approval in December 2016 and is currently in the design phase with the majority of works expected to take place in 2017/18.
58. The following table shows the planned spend on the Education Capital Programme from 2017/18 to 2021/22 incorporating expenditure under Band A and Band B schemes funded under 21st Century Schools Programme. Gross Expenditure totals £77.379M.

By Scheme	17/18	18/19	19/20	20/21	21/22	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Llantwit Major Learning Community	1,240	29	-	-	-	1,269
Colcot Primary	375	-	-	-	-	375
Band B Preparatory Works Changing Rooms etc.	250	500	-	-	-	750
Band B Schemes Welsh Medium	150	100	5,650	10,500	2,600	19,000
Band B Schemes Co Ed	350	150	12,900	24,000	6,000	43,400
Band A Romilly Primary	1,124	36	-	-	-	1,160
Eagleswell Demolition	100					100
Eagleswell Marketing & Disposal	39	-	-	-	-	39
St Cyres Lower School Marketing & Disposal	48	-	-	-	-	48
St Josephs Nursery and EIB	1,031	-	-	-	-	1,031
Schools Asset Renewal/Other	810	601	600	600	600	3,211
Additional Schools Asset Renewal	223	400	-	-	-	623
Education Asset Renewal - contingency	50	50	-	-	-	100
Victorian Schools	2,000	-	-	-	-	2,000
Rhoose Primary New School	1,500	1,762	-	-	-	3,262
Gwenfo Primary Expansion	11	-	-	-	-	11
Schools IT Loans	200	200	200	200	200	1,000
Total	9,501	3,828	19,350	35,300	9,400	77,379

59. The total allocation for Victorian Schools in 2017/18 is £2M to support ongoing works across 21 Victorian Schools to address the existing issues with lath and plaster and masonry deterioration. These works are expected to be completed during 2017/18.
60. There is an asset renewal budget of £0.823M in 2017/18 and £1M in 2018/19. From 2019/20 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.
61. Band B Schemes are expected to commence in 2019/20 and in December 2016 the Council submitted aspirations for a number of schemes to Welsh Government in addition to the Mixed Sex Barry Secondary and Welsh Medium Barry schemes that the Council has committed to. 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. An intervention rate in excess of 50% would increase the Council's capacity to deliver Band B schemes. The delivery of Band B schemes is contingent on the realisation of the projected level of capital receipts, the receipt of projected S106 sums and an intervention rate of at least 50%.
62. 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.
63. The total cost for Mixed Sex Barry Secondary Schools and Welsh Medium Band B schemes is projected to be in the region of £63.3M and of this total £0.5M, £0.25M, £18.55M, £34.5M and £8.6M have been included in [Appendix 1](#) for 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22 respectively. The final £0.9M for the Band B schemes is profiled in 2022/23.
64. The Education Capital programme is anticipated to be funded as follows;

By Funding Source	17/18	18/19	19/20	20/21	21/22	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Capital Funding	2,743	2,055	2,448	2,204	1,972	11,422
Capital Receipts	1,643	1	2,644	8,009	0	12,297
Other Reserves and Revenue Contribution	64	0	2,166	1,539	0	3,769
School Investment Reserve	1,352	192	2,242	2,075	2,928	8,789
IT Fund	200	200	200	200	200	1,000
Prudential Borrowing	1,500	0	0	2,000	0	3,500
Total Internal Funding	7,502	2,448	9,700	16,027	5,100	40,777
S106 Agreements	1,812	1,362	0	2,023	0	5,197
Welsh Government Grant	187	18	9,650	17,250	4,300	31,405
Total Funding	9,501	3,828	19,350	35,300	9,400	77,379

Housing Improvement Programme

65. 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).
66. It is anticipated that the draft Housing Business Plan will be reported to Cabinet during March 2017, once the latest guidance has been received from Welsh Government and the Plan will also need to be approved by Council. The Plan will form the basis of the Major Repairs Allowance (MRA) grant application, which is a pivotal financing component for the Housing Improvement Programme (to meet the Welsh Housing Quality Standard (WHQS)).
67. The MRA for 2017/18 has not yet been announced by the Welsh Government but the assumed budget in [Appendix 1](#) remains at £2.770M per annum as received in 2016/17.
68. The Final Capital Programme Proposals reflect the level of works required to meet and maintain WHQS. It is expected that WHQS will be attained by the end of 2017 calendar year, with on-going work required to maintain the standard based on component lifecycles. In addition, the proposed Housing Improvement Programme includes new build and regeneration work between years 2017/2018 and 2021/2022.
69. The budget for the Housing Improvement Programme is shown in [Appendix 1](#) and the sources of funding are detailed in the table below.

Original Funding	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000's	£'000's	£'000's	£'000's	£'000's
Housing Reserves	3,532	4,192	4,451	4,844	5,412
MRA Grant	2,770	2,770	2,770	2,770	2,770
Unsupported Borrowing	13,269	5,430	4,149	639	212
Total Budget	19,571	12,392	11,370	8,253	8,394

Other Schemes

70. A sum of £1.350M per annum in 2017/18 and 2018/19 and £800K in 2019/20, 2021/21 and 2021/22 is included to address high priority Visible Services assets and infrastructure improvements.
71. Flood Risk Management funding of £100K per annum is provided in addition to recurring coastal protection funding of £110K per annum. Increased matchfunding has been made available to ensure that the Coldbrook Flood Risk Management is able to be completed during 2017/18. The Llanmaes and Boverton schemes which are included in the Capital Programme will also enhance flood protection in the area. Given the complexity associated with Flood Risk Management schemes it is proposed that £150K is ringfenced in the Visible Services Reserves for potential additional match funding for these schemes.
72. A sum of £339K (including slippage from 2016/17) in 2017/18 and £300K from 2018/19-2021/22 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 to this £155K has been allocated to a regeneration scheme at Nells Point former toilet block.

73. Funding for Disabled Facilities Grants of £5.350M has been provided in total over the 5 years.

Resource Implications (Financial and Employment)

74. The table below details the General Capital Funding and internal resources required to fund the schemes proposed in [Appendix 1](#).

Analysis of Net Funding Required for the 2017/18 Capital Programme

General Fund	£'000
Welsh Government Resources:	
General Capital Funding	2,045
Supported Borrowing	3,360
Council Resources:	
Capital Receipts	2,582
Unsupported (Prudential) Borrowing	1,500
Revenue/Reserves/Leasing	12,893
Net Capital Resources	22,380

Housing

Council Resources:

Capital Receipts	0
Unsupported (Prudential) Borrowing	13,269
Housing Reserves	3,532
Net Capital Resources	16,801

75. An anticipated reduction in resources in the future will restrict the number and size of capital schemes that the Council is able to fund. There will be significant pressures on spending post 2021/22 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.

Sustainability and Climate Change Implications

76. 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.
77. 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)

78. 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

79. 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)

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

Corporate/Service Objectives

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

Policy Framework and Budget

82. 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)

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

Relevant Scrutiny Committee

84. Corporate Performance and Resources

Background Papers

Bids received from departments

Correspondence received from the Welsh Government

Contact Officer

Section 151 Officer

Officers Consulted

Corporate Management Team

Responsible Officer:

Section 151 Officer