

Capital Strategy 2019-2020

Introduction and background

This Capital Strategy has been drafted in response to the latest requirements of the Prudential Code 2017, and is designed to form a key part of the Council's overall corporate planning policy aligned to the Council Plan. The Strategy is a live document and the intention is to develop it year on year. The core requirement of the Strategy is to provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, and how risk and sustainability are managed by integral procedures embedded in the Council's working practices.

This Strategy is intended to set the framework for all aspects of the Council's capital expenditure including planning, management, prioritisation, funding, monitoring and outcomes, and is a fundamental part of the overall corporate vision.

Objectives and the Strategic Approach

The key aims of the Capital Strategy are to:

- provide a clear vision of the Council's capital investment blueprint for the present-day and future
- to discharge the Council's duty in regards to the CIPFA Prudential and Treasury Management Codes and statutory legislation. This will be demonstrated through requisite Prudential Indicators of *prudence* and *affordability*, whilst also paying close attention to local factors such as risk appetite and knowledge and skills.

The main body of this document focuses upon how the Council intends to achieve its desired outcomes from its capital investment, whilst Annex A records the requisite Prudential Indicators as they pertain to the expected Council capital investment programme over the forecast period.

Capital Expenditure

Capital investment is where the Council spends money on assets, such as property or vehicles, which will be used for more than one year.

The key principles for Wrexham's five year capital programme (Annex B) are summarised below:

- capital investment decisions reflect the aspirations and priorities included within the Council Plan and supporting strategies.
- schemes to be added to the capital programme will be subject to rigorous and robust governance procedures; this involves evaluation and prioritisation techniques applied to business cases submitted.
- the full cost of any capital scheme must be established from the business case stage; this will include any financing costs and future revenue operational costs.

- commissioning and procuring of capital schemes will comply with the requirements set out in the Council’s constitution and financial regulations-contract procurement rules.

Council Plan Capital Investment Priorities

The Council prepares its Capital Programme on a five year rolling basis; this is approved annually by Executive Board. Follow on reports for monitoring and outturn purposes are taken to Executive Board during the financial year.

Table 1 in Annex A sets out the Council’s capital expenditure plans over the reporting period required in the CIPFA Prudential Code, split between General Fund and Housing Revenue Account.

The capital investment plans identified in Annex A are driven by the Council Plan, the Council’s core strategic document that sets out the Council’s vision, ambitions, values and priorities. For the period 2019-2020 through 2021-2022 investments include the following near term financial commitments to deliver on the strategic vision:

- General Fund
 - £1.1m ICT Infrastructure modernisation-supporting the Organisation Well Being Objective O1-Continuing to modernise our services. This is emphasised through our continuing commitment to digitalisation and the self-service agenda. The relevance of this investment is recognised by its on-going funding within the Annual Capital Provisions (Annex C).
 - £3.5m Disabled Facilities Grants-supporting our well-being planning principles of Prevention and Prioritising the most vulnerable. This investment also supports our People well-being objectives of supporting people to live active, independent lives within their community (Pe2) and safeguarding those who are vulnerable (Pe3).
 - £1m on regeneration projects that supports our Place well-being objective, “supporting a sustainable and diverse environment”. Specifically this investment will support Pride in our Environment (PI2) and Communities with sustainable, attractive settlements, neighbourhoods, buildings and spaces (PI3). A key town centre development in the last three years has been the development of the new arts cultural and market space, Ty-Pawb; this aspirational project demonstrates the Council’s commitment to creating a vibrant and diverse town centre economy.
 - A core strategic vision for the Council is the provision of educational facilities that will deliver the maximum opportunities for the County Borough’s children; since its inception in 2012-2013 the Council has worked in partnership with the Welsh Government to deliver a number of schools based projects within Band A of the 21st Century Schools Programme; Council investment of £11.1m has not only seen refurbishment of a number of schools in the area, but also construction of new schools. Whilst work on Band A projects draws to a close, the Strategic Outline Programme for Band B has been submitted to Welsh Government and agreed in principal. Band B projects are intended to run from 2019 to 2024, and form a key element of the Council educational vision in to the future.

- Investment of close to £3m is planned to take place over the period to support the County Borough's highway infrastructure (including £2.8m of Annual Capital Provisions-see Annex C), with an additional £1.4m on street lighting specifically. Whilst fundamentally this supports our place objective 'well-connected and sustainable communities' (PI4), we as a Council are acutely aware that the road networks are the arteries that support all aspects of our Council vision. Without a fit for purpose road network in place so many aspects of Council functionality for delivery of services are impacted; this strategic importance is reflected in the levels of investment that we continue to direct into this core function.
- We expect to invest £1.2m in supporting Adult Social Care in this period (including £750k of Annual Capital Provisions-see Annex C) focusing on our *prevention comes first* and *prioritise the most vulnerable* planning principles; in turn supporting the People well-being objectives *supporting people to live active*, independent lives within their community (Pe2) and *safeguarding those who are vulnerable* (Pe3). Investment includes works in regards adaptations in homes with a view to making the home environment more suitable for specific needs of our clients, and as well as a Telecare system that allows vulnerable clients to contact the necessary support services when required.
- Housing Revenue Account (HRA)
 - As a key housing provider in the area the Council places the provision of social housing at the forefront of its capital investment strategic plans. Projects such as *estate* remodelling and *sheltered* accommodation are delivered through the HRA capital investment programme, such projects sit alongside perhaps the two key strategic themes within the programme, the achievement of the Welsh Housing Quality Standard by 2020 and the commitment to new build development. These core themes can be seen to be twin objectives that aim to achieve the overall goal of providing sufficient, suitable housing across the County Borough.

In line with the requirements of the Prudential Code the capital investment figures detailed in Annex A are a short term snapshot of the financial commitment of the Council; by its very nature strategic capital investment vision concerns itself with the medium to long term in regards to outcome delivery. The schemes highlighted above are a combination of previously established medium term objectives and the continuation of long term objectives that the Council has committed to through the capital allocation process in the recent past. Within the timeframes identified here the vital element of the programme is the implementation and delivery as the phases of the programme previously agreed come to fruition.

As a five year plan the Council's Capital Programme does stretch into the medium term; whilst the programming of our capital investment is flexible enough in its compilation to allow for projects that have a certain element of immediacy in their funding, core strategic themes run through the programme as they designed to be a corporate vision for the long term. Long term aspirations for the Council would expect to include focus on prioritising the vulnerable, educating the County Borough's children, regenerating the town centre and wider area, maintain the road

infrastructure and provide suitable and sufficient housing; these are all reflected in the principles and themes of the current Council Plan, whilst this overarching document is subject to periodic review, at its core desired outcomes remain a constant with certain nuances in emphasis on revision as perceived necessary by elected members.

Coordinated Delivery

As a strategic overview the Council Plan is not designed to be a detailed delivery programme of how priorities will be met; this duty is discharged by a series of service specific delivery plans which reflect the overall priorities in the Council, and provide narrative of how these will be achieved on the ground.

Key documents that look to deliver on the Council Plan across the Council include:

- *The Corporate Land and Buildings Strategy*- sets out the *Property Procedures and Standards Policy* that includes stated practice pertaining, but not limited, to:
 - Declaration of Surplus Land
 - Disposal of Land and Property Assets
 - Appropriation of Land and Property Assets
 - General Disposal Consents

Each of the above is framed within the Strategic objective of Corporate Asset Management:

'It demonstrates that the Council is managing strategically and robustly and will continue to manage its assets corporately for the benefit of the people and communities of Wrexham.'

<http://moderngov.wrexham.gov.uk/mgDecisionDetails.aspx?Id=5297&Opt=1>

- *Local Housing Strategy (LHS) 2018-2023*- demonstrate the Council's commitment to providing a holistic approach to the provision of housing, in its many forms, throughout the County Borough. It outlines the Council's vision for the delivery of housing and housing related services in the County Borough and its role as well as the role of partners in achieving this. The high-level strategic direction for the new LHS will continue the themes established by its predecessor:
 - More Housing, More Choice
 - Better Quality Homes and Communities
 - Better Services to Improve People's Lives

http://www.wrexham.gov.uk/assets/pdfs/housing/documents/local_housing_strategy.pdf

- *The Wrexham Town Centre Master plan*- in essence provides a vision for the town centre:

'with a diverse range of accessible shopping, leisure uses such as family restaurants, arts and cultural attractions, niche speciality retail in a quality public realm and environment that is identifiable as 'Wrexham'.

http://www.wrexham.gov.uk/assets/pdfs/planning/masterplan/wrexham_town_master_plan.pdf

- *Wrexham's Highways Asset Management Plan*- documents how as a Highways Authority managing 1,187km of roads, we must discharge our statutory duty despite increasing pressures including:
 - Limited budgets
 - Limited staff resources
 - Mature highway networks with a backlog of maintenance requirements
 - Increased accountability to the public
 - Increasing public expectation

In order to best achieve this, the Council has adopted the definition of asset management prepared by the County Surveyors Society:

'Asset management is a strategic approach that identifies the optimal allocation of resources for the management, operation, preservation and enhancement of highways infrastructure to meet the needs of current and future customers'

http://www.wrexham.gov.uk/assets/pdfs/key_docs/highway_asset_mgmt_plan.pdf

Financing

The Council's capital investment is financed through a variety of sources including:

- Receipts from the sale of capital assets
- Capital grant from Welsh Government
- Third party contributions such as planning S106 monies
- Use of reserves or revenue budget contributions

The Council's current policy on receipts from disposals is that all monies received will be invested in schools, with the exception of receipts from commercial estates which are to be re-invested in the commercial estate and those sales specifically designated for affordable housing.

Capital expenditure not financed by any of the above routes will need to be funded by borrowing; existing Council debt is the consequence of historical capital expenditure. The Council's current level of debt can be seen at Table 3 in Annex A, control is exercised over the level of debt by monitoring against both the Capital Financing Requirement (Table 2 in Annex A) as a guard against borrowing being taken out to fund short term revenue and against the Operational Boundary and Authorised Limit (Table 4 in Annex A) as safeguard of the affordability of intended investment. As a temporary measure the Council can utilise held resources, such as cash received in advance of need or reserves to fund capital expenditure. This is referred to as internal borrowing.

The Council's current general fund capital programme is very much funded with available resources identified in the above schedule; being risk conscious has

dictated that the Council does not follow an approach of borrowing to fund investment as normal practice. The Council may consider more moderate risk for strategic initiatives, where there is a direct gain to the Council's revenue stream or the ability to deliver its statutory duties more effectively and efficiently; any such proposals will subject be to rigorous review and due diligence as a matter of course.

The Housing Revenue Account capital programme has its prudence, affordability and sustainability firmly rooted in a thirty year business plan, required to be drafted and approved by Welsh Government.

The approval process for inclusion of projects within the capital programme ensures all of the capital and investment plans are affordable, prudent and sustainable. In doing so the Council will take into account the arrangements for the repayment of debt, through a prudent MRP policy in line with MRP guidance issued by Welsh Government.

The Council's MRP statement for 2019-2020 can be seen at Annex D.

Capital financing charges and any additional running cost arising from capital investment decisions are incorporated within the annual budget and medium term financial plan. This provides a link between the overall budget setting process of the Council and its capital investment requirement which can be seen as a competing priority for revenue funding.

A key Prudential Indicator intended to control the risk of the Council overstretching affordability of investment plans is demonstrated in Table 5 Annex A-proportion of financing costs to net revenue stream; the percentages reported are bespoke guide figures set for use by individual councils, and are not designed to be comparators between those councils.

Governance Framework

A combination of the democratic decision making process and the scrutiny procedures provide overall political direction and ensure accountability for investment in the capital programme.

This is achieved through a series of linked process which include:

- Full Council approves the Council Plan which sets out the strategic priorities for the Council
- The Executive Board (EB) approves the fifth year of the capital programme at its October meeting; further reports are taken to EB in February to report on progress with current schemes in year and any slippage requests, an outturn report is taken to EB in July to update on previous year's performance.
- The Corporate Land and Buildings Strategy Group (CL&BSG) reviews the bids for the fifth year of the capital based upon an agreed matrix of scoring criteria prior to submission to EB.
- The programme is monitored on an on-going basis by the central accountancy division whom liaise with project sponsors and managers throughout the financial year.

Any capital investment proposals are subject to a thorough evaluation. The evaluation in its initial stages will be carried out by a panel of officers, and will be designed to draw out the key benefits expected to arise from the projects in relation to Council priorities. Each evaluation will include financial considerations such as expected cost, to include initial outlay, future revenue and financing, whilst also documenting funding sources identified. Each project will then be scored in line with an agreed matrix (Executive Board May 2018), and presented for consideration by the CL&BSG as recorded above.

Partnership and collaborative working

The Council recognises that the environment in which it operates is changing as it is challenged to deliver more with less, which has necessarily required to it reviewing the way it delivers certain services.

Reviews have included whether services are fit for purpose, are still feasible under current financial pressure, could be better delivered by another organisation, or could maybe be more suitably delivered by or in partnership with a third party.

A primary local partnership that the Council is involved in is the Public Services Board (PSB); Wrexham PSB is a partnership of local organisations, who work with local people to improve well-being across the County Borough which was developed out of a predecessor, the Wrexham Local Service Board. The PSB includes representatives from the local authority, Betsi Cadwaladr University Health Board, North Wales Fire and Rescue and Natural Resources Wales; other invited participants include further and higher education, police, probation and the voluntary sector.

A further local partnership arrangement, funded by Welsh Government (WG), is the Substance Misuse Action Fund (SMAF). SMAF is a North Wales scheme with Wrexham the appointed commissioning lead for the Area Programme Board; the SMAF arrangement means that not only is Wrexham working closely with the five North Wales Councils to ensure that some of the most vulnerable in the region are cared for, but also working with local organisations so ensure a Wrexham specific provision delivers a fit for purpose service in the County Borough.

The Council also works closely with WG on the provision of key core services in Schools and Housing through the 21st Century Schools programme and Houses into Homes project. Both of the schemes are national in nature, however by working closely with WG on the local provision in both instances Wrexham ensures that it is maximising the resources available to it for the provision of fundamental services to its community.

As Wrexham moves forward to meet the challenges of a changing financial environment, which in all likelihood is expected to be the new norm as the economy is unlikely to revert back to pre-austerity levels of funding for public sector organisations, it looks to work in close collaboration with its neighbours to deliver what the region requires to *grow*.

In October 2016 the Council, through its Executive Board, adopted the Growth Vision for the Economy of North Wales (HHE/34/16); the vision sets out a strategic ambition for North Wales for:

- transport and infrastructure development
- skills and employment, and
- business innovation and growth.

Each of the other five local authorities in North Wales together with other partner organisation, North Wales Business Council and Higher Education (HE) and Further Education (FE) institutions similarly adopted the strategy at the same time.

North Wales has been formally invited to develop the strategy into a 'Growth Bid' for national investment and the conferment of powers to the region by the UK and Welsh governments. The content of the Growth Deal Bid faithfully follows the vision and strategy adopted by in 2016. The four core themes of the Bid are:

- strategic sites for employment and housing
- transport infrastructure and services
- business innovation and growth
- skills, workless-ness and social reform

it is hoped that the strategic outcomes of the Growth Deal Bid might include

- enhanced site values for strategic employment and housing sites
- strategic site readiness/development status
- transport access (e.g. reduce travel times to strategic employment sites, transport usage figures to demonstrate modal switch to public transport)
- business investment, business growth, business performance
- employment figures by type/sector/level-against the targets of the regional skills strategy
- reductions in workless-ness and benefits dependency
- average income rates including household income
- increase in regional Gross Added Value
- sustainable housing growth figures, and
- alternative and renewable energy supply production and carbon reduction

As a member of the North Wales Economic Ambitions Board (EAB) Wrexham will look to play central role in the authoring of the Growth Deal Bid as it is developed over the coming months, obviously we will have the well-being of our local communities at its heart, but recognise that as a vehicle for change for the greater good both the EAB and the bid itself will look to the bigger picture to achieve local objectives.

The UK Government announced it will contribute £120m to the North Wales Growth Deal in the UK Autumn Budget in October 2018; on the 7th December 2018 the Welsh Government announced a commitment to match this funding.

Long Term Liabilities

A very Wrexham specific commercial partnership is a Private Finance Initiative (PFI) for waste strategy with FCC Recycling UK Limited. As an organisation that is not only committed to meet WG targets of 64% for recycling by 2020 and 70% by 2025, but also as a committed green organisation driven by a desire to improve both the

local environment and the wider surroundings, the Council recognised that in order to achieve regulatory targets set by WG, but also to discharge its duties as a responsible organisation in the 21st Century, it needed to work in partnership with a third party to achieve its goals. This is a good example of the Council recognising that it is not in the best position to deliver a service, and looking to alternative arrangements to achieve strategic aims.

Risk and Commercial Activity

The Chartered Institute of Public Finance and Accountancy (CIPFA) define investment property as property held solely to earn rentals or capital appreciation or both.

Wrexham Council does not hold any investment properties; neither does the Council borrow money with a view to investing purely for commercial gain.

Knowledge and Skills

The Council's approach to ensuring that the requisite knowledge and skills are held and demonstrated when making capital, borrowing and investment decisions is three fold;

- employment of professionally qualified and experienced staff with responsibility for making decisions
- continuous and extensive training for Council members to aid informed decision making and effective scrutiny
- employment of Treasury Management advisors Arlingclose to provide specialist advice in requisite areas

The Council is confident that by engaging a layered approach to the decision making process it has the best chance of not only achieving its corporate goals through long-term investment, but that decisions taken to realise objectives are taken from the most informed position possible at both officer and member level.

The intention is by building a solid knowledge base for both officers and members, supported as and when required by external advisors, that the Council can have confidence in both its 'routine' programme of capital investment and any aspirational projects that have passed through the internal process.

The rigorous *scrutiny* process to which individual bids are subjected, by knowledgeable and informed review, are a fierce defence against future failure; by having a well-documented systemic approach to project review the Council looks to mitigate any risk associated with embarking on those projects.

Annex A

Prudential Indicators 2019-2020

For clarity CIPFA classifies the requisite Prudential Indicators as those derived out of the need to ensure Prudence and Affordability. The below tables and narrative seek to comply with these classifications, and discharge the Council's duties in this respect, whilst also providing some context on each measure.

Prudence

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
General Fund services	17.84	22.08	15.75	6.94	5.63
Council housing (HRA)	49.45	47.16	53.78	33.40	38.02
TOTAL	67.29	69.24	69.53	40.34	43.65
Borrowing	35.02	33.22	40.86	24.46	29.96
Internal	15.35	15.32	14.33	5.48	3.95
External	16.92	20.70	14.34	10.40	9.74
TOTAL	67.29	69.24	69.53	40.34	43.65

The Capital Expenditure Prudential Indicator (Table 1) is the platform from which most Prudential Indicators of the Council are formed; this Prudential Indicator (PI) is grounded in the Council's capital programme, and is a stated *Affordability* indicator within the Prudential Code.

The predominantly high value projects within any capital programme means capital expenditure is a significant source of risk for any Council; the nature of these projects means they are often subject to cost variations, slippage or changes in specification.

Having established through the governance process that the capital programme is affordable, the monitoring of agreed against actual is a key element of risk management which this PI is designed to assist with; regular monitoring, using this PI as it's cornerstone, will help sign-post where schemes are straying from expectation either in regard to cost or timeframe.

Table 2 Prudential Indicator: Capital Financing Requirement

	31.3.2018 CFR £m	31.3.2019 forecast CFR £m	31.3.2020 forecast CFR £m	31.3.2021 forecast CFR £m	31.3.2022 forecast CFR £m
General Fund	157.31	156.26	155.15	153.01	150.65
HRA	253.43	275.68	302.65	312.42	327.80
Total CFR	410.74	431.94	457.80	465.43	478.45

The Capital Financing Requirement (CFR) (Table 2) is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue. The CFR measures the underlying need to borrow for capital purposes, although regularly this does not take place as external borrowing as council's often look to make use of cash held in the form of reserves and monies received in advance of requirement, referred to as internal borrowing.

The CFR is designed to be a measure of the surplus or deficit on capital transactions plus long-term liabilities related to non-current assets. The CFR prudential indicator is therefore indelibly linked with the PIs in regard to levels of debt (Table 3) and the Authorised Limit and Operational Boundary (Table 4 a & b).

Table 3 Prudential Indicator: Level of Debt

Debt	31.03.18 Actual £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m	31.03.22 Estimate £m
Borrowing	364.38	367.32	403.23	413.36	427.61
Long Term Liabilities	27.68	27.63	25.91	24.19	23.33
Total Debt	392.06	394.95	429.14	437.55	450.94

Table 4(a) Prudential Indicator: Operational Boundary & Authorised Limit

Operational Boundary	2017/18 £m	2018/19 £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	401.80	419.89	434.37	443.25	457.12
Long Term Liabilities	28.20	27.74	28.43	27.19	26.33
Total	430.00	447.63	462.80	470.44	483.45

Table 4 (b) Prudential Indicator: Operational Boundary & Authorised Limit

Authorised Limit	2017/18 £m	2018/19 £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	416.80	434.89	449.37	458.25	472.12
Long Term Liabilities	28.20	27.74	28.43	27.19	26.33
Total	445.00	462.63	477.80	485.44	498.45

The legislative requirement that dictates that LAs are required to set a level of external debt is embedded in the Local Government Act 2003, and enforced through the requirement of the Authorised Limit PI. In practicality the Authorised Limit reflects emergency headroom on the operationally set Operational Boundary, which in itself is set with reference to the CFR.

Actual levels of external debt do not by necessity correlate to the Council CFR, as often treasury management decisions will dictate how much external borrowing is undertaken. One key comparator that can be employed between the CFR and Debt PIs is to monitor that Debt never exceeds CFR. Total external debt of the Council will not distinguish between use for capital and revenue purposes; daily cash management does not differentiate between use for capital or revenue, however in the event that external debt consistently outstrips the CFR this is a clear indication that borrowing is being employed for short term purposes, with the most likely explanation being the use of borrowing to shore up a revenue budget shortfall.

In the unlikely event of this occurring it is obviously a clear sign-post to a need to review spending activity across the Council; in certain circumstances this could be seen as an early warning that whilst from a piecemeal point services are only marginally overspending against budget, when viewed as a whole it could indicate unsustainable levels of activity.

As Prudential Indicators of affordability capital expenditure, the CFR and the authorised limit are far more effective tools if referenced in conjunction with each other rather than in isolation. The Council's CFR and level of external borrowing for current financial year actuals will be taken from the Statement of Accounts, with forecast figures based in these opening figures adjusted for known capital programme expenditure and debt repayment. Setting a level for the Authorised Limit is a key exercise to ensure that it is an effective tool, alongside the Operational Boundary. If set too low this could lead to frequent breaches which reality merely point to poorly set indicators, and are of no assistance in managing affordable levels of borrowing; set too high and any trigger or sign-posting could potentially occur at a point when the Council is already over exposed in regards to its external borrowing.

Affordability

Table 5 Prudential Indicator: Proportion of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	2017/18 Actual %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
General Fund	3.49	3.39	3.14	3.07	2.97
HRA	25.98	26.62	26.15	26.24	25.56

Although by definition capital expenditure is not charged directly to the revenue budget, interest payable on loans and an annual Minimum Revenue Provision (MRP) are charged to revenue, off-set by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream, i.e. the amount funded from council tax, business rates and government grant.

Although the Code highlights this PI as a key measure of affordability, it also stresses that it is in essence a local indicator and the resulting levels of the calculation are not a suitable comparator of performance between Councils; this fact is highlighted by the differential in the figures for the General Fund (GF) and the Housing Revenue Account (HRA) highlighted above. Taken at face value the above results would suggest that the HRA capital programme is less affordable than that of the GF; key background to the HRA figure is the borrowing the Council took out on 2nd April 2015 of £146.2m in respect of the Housing Subsidy Buyout scheme. The affordability of the HRA capital programme will have been derived from the thirty year business plan that the Council is required to submit to Welsh Government. This will have included the need to borrow £146.2m, plus the resulting rental income that accrues from taking our Housing stock out of the subsidy arrangement.

The PI in the case of the HRA serves to identify that as the borrowing is paid down over a period of time (specifically the straight line methodology used to write down the buyout debt over fifty years), and a continuous uplifted revenue stream from rents then this percentage indicator would be expected to drop over time. Significantly variations from the last outturn percentage reported in the forecast, will therefore provide an indicator of the requirement for further investigation into affordability.

Annex B

Rolling Five Year Capital Programme 2018/2019-2022/2023

		Revised Forecast 2018/19 £	Planned Programme 2019/20 £	Planned Programme 2020/21 £	Planned Programme 2021/22 £	Planned Programme 2022/23 £
Forecast Expenditure						
Corporate Schemes		559,412	866,306	250,000	250,000	250,000
Economy and Housing		6,074,007	2,644,176	1,845,000	2,135,000	1,775,000
Housing Revenue Account		47,163,267	53,785,002	33,402,454	38,022,234	35,446,074
Education and Children's Social Care		5,473,231	5,931,102	2,693,500	1,512,500	2,080,000
Environment and Planning		6,589,062	4,428,910	1,702,210	1,485,000	1,275,000
Adult Social Care		1,407,441	500,000	450,000	250,000	250,000
Unallocated		1,977,000	1,379,000	0	0	0
Total Capital Programme		69,243,420	69,534,496	40,343,164	43,654,734	41,076,074
Financing						
Borrowing						
Unhypothecated Supported Borrowing		3,511,000	3,534,000	3,518,000	3,460,000	3,500,000
GF Unsupported Borrowing		280,484	12,500	0	0	0
HRA Unsupported Borrowing		29,000,000	36,298,002	20,566,112	26,503,300	23,911,781
WG Invest to Save Schemes / Repayable Funding		50,942	265,000	0	0	0
Salix		377,210	754,419	377,210	0	0
Total Borrowing		33,219,636	40,863,921	24,461,322	29,963,300	27,411,781
Grants & Contributions						
General Capital Grant		4,113,000	3,345,000	2,142,000	2,140,000	2,130,000
Transport Grants	Environment	985,843	0	0	0	0
Highways Refurbishment Grant		743,770	742,590	0	0	0
21st Century Schools programme	C&YP	2,075,304	468,663	0	0	0
Reducing Infant Class Sizes Grant	Education	0	1,000,000	0	0	0
Welsh Medium/Childcare offer Capital Grant	Education	30,000	584,000	683,500	32,500	0
Collaborative Change Programme Grant	Environment	1,411,072	0	0	0	0
Flying Start Grant	C&YP	145,705	0	0	0	0
Heritage Lottery Fund	EcDevel/Environment	54,270	24,300	0	0	0
Major Repairs Allowance	HRA	7,572,000	7,572,000	7,572,000	7,572,000	7,572,000
Arts Council of Wales		367,624	0	0	0	0
Targeted Regeneration Investment Programme	H&E	665,000	0	0	0	0
Other WG grants	C&YP/SOCIAL CARE/PP/ENV	1,599,465	0	0	0	0
HRA Revenue Contribution		9,600,000	7,815,000	5,264,342	3,946,934	3,962,293
Other Contributions	Appendix 3	3,520,241	1,771,752	0	0	0
Total Grants & Contributions		32,883,295	23,323,305	15,661,842	13,691,434	13,664,293
Usable Capital Receipts Applied						
General Fund		2,192,153	3,247,270	220,000	0	0
HRA		948,337	2,100,000	0	0	0
Total Usable Capital Receipts Applied		3,140,490	5,347,270	220,000	0	0
Total		69,243,420	69,534,496	40,343,164	43,654,734	41,076,074
Shortfall / Surplus in Funding (-)		0	0	0	0	0
Total Capital Programme		69,243,420	69,534,496	40,343,164	43,654,734	41,076,074

Annex C

Capital Programme – Annual Capital Provisions 2019/20

SERVICE	SCHEME	PROVISION (£)	DETAILS
Housing and Economy	Minor Building Works	100,000	Provision to fund urgent works of building maintenance or repair such as:- Fire Precaution Works arising from Fire Service inspections; Health & Safety works arising from regular inspections by in-house Health & Safety personnel and statutory regulations and asbestos removal; Environmental Health works, i.e. upgrading to comply with regulations; and minor works in connection with energy efficiency and water conservation.
	Architects and Quantity Surveyors Scheme Preparation and Management Costs	225,000	This is a provision for in-house architects and quantity surveyors' design and preparation work on future schemes and project management of current schemes. The work includes identification of service needs and the preparation of bids for external funding.
Corporate	Heritage and Community Well Being projects of cultural significance to the County Borough	100,000	Approved by Executive Board 03 04 12 HF/14/12.
	ICT Infrastructure	250,000	Approved by Executive Board 11 10 16 HF/91/16
Education	Furniture and Equipment	150,000	This is used to purchase furniture and equipment for schools undergoing capital works. Furniture relates to fixed furniture or specialist furniture required in laboratories and workshops. Similarly, equipment relates to specialist equipment for curricular requirements and also for catering.
	IT Equipment	80,000	Provision and replacement of information technology equipment in schools.
	Minor Works	250,000	Minor capital works in schools such as boiler and window replacements and drainage works.
Environment and Planning	Structural Maintenance	500,000	This sum is used for the structural element of the highways maintenance programme such as footway and road reconstruction and drainage. The work is carried out by external specialist Contractors.
	Minor Road Improvements	250,000	Small schemes with costs of up to £25,000 to improve road safety in local communities. Also provides a contingency for highways land acquisitions costs.
	Transport and Engineering Scheme Preparation	175,000	The costs of assessments, feasibility and pre design studies by Environment staff and, where required, specialist consultants reports such as traffic modelling for schemes for which grant applications to the Welsh Government .
Adult Social Care	Adaptations	250,000	This is for works to meet the needs, assessed by Occupational Therapists, of people with disabilities. The provision includes £240k for minor adaptations such as the installation of showers and stair lifts for people in non-Council housing and £10k for sensory impairment. e.g. LED lighting.
TOTAL		2,330,000	

Annex D

Annual Minimum Revenue Provision Statement 2019/20

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Welsh Government's Guidance *on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.

The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The WG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance [as well as locally determined prudent methods].

For capital expenditure incurred before 1st April 2008, and the balance of outstanding supported borrowing as at 31 March 2017 MRP will be calculated on a 'straight-line' method over 40 years (Option 3 Asset Life Method-straight line).

For supported borrowing incurred on or after 1 April 2017 MRP will be based upon a 'straight line' method over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits. (Option 3 Asset Life Method-straight line).

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a period considered commensurate with the benefits accruing. (Option 3 in England and Wales)

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

MRP in respect of HRA debt has three specific elements

- HRA subsidy buy out is calculated at 2% straight line; (MRP having been charged in the year in which the loan was taken out)
- Supported borrowing pre-buy out at 2% straight line
- Unsupported borrowing is calculated on asset life
- Appropriations from the General Fund will be on a straight line basis from the point of transfer

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2019, the budget for MRP has been set as follows:

	31.03.2019 Estimated CFR £m	2019/20 Estimated MRP £
Capital expenditure before 01.04.2008	76.15	2.00
Supported capital expenditure after 31.03.2008	39.42	1.27
Unsupported capital expenditure after 31.03.2008	14.02	1.16
Finance leases and Private Finance Initiative	26.67	1.24
Total General Fund	156.26	5.67
HRA Subsidy Buyout	134.58	2.93
Unsupported Capital Expenditure	131.30	6.21
Supported Capital Expenditure	9.80	0.20
Total Housing Revenue Account	275.68	9.34
Total	431.94	15.01