AGENDA ITEM TBC

SUBJECT: CAPITAL STRATEGY ASSESSMENT 2018-19 and

DRAFT CAPITAL BUDGET PROPOSALS 2019-20 to 2022-23

MEETING: Economy & Development Select

DATE: 10th January 2019

DIVISION/WARDS AFFECTED: Countywide

1 Purpose & Context

1.1 Chartered institute of Public Finance and Accountancy (CIPFA) produced a revised regulatory Code in December 2017, which included a need for local authorities to produce a **Capital Strategy.** The requirements were staggered with an aim for reporting compliance during 2018/19 with a full **Capital Strategy** implemented for 2019/20. This report concentrates on the former in evaluating the governance, planning and priority setting involved in presenting 2019-20 capital budget proposals and the 3 years thereafter making up the collective capital medium term financial plan.

1.2 CIPFA report that a **Capital Strategy** should be tailored to individual circumstances and consequentially don't volunteer a prescriptive format. The overall intent is that any **Capital Strategy** should allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured. The overall purpose of a capital strategy being to provide opportunity for engagement with Full Council to ensure overall strategy, governance procedures and risk appetite are fully understood by all elected members

1.3 The code, in describing the **Capital Strategy,** reports it can be delegated to Cabinet (or similar body) with Full Council being responsible. MCC's approach is to report budget setting process through Cabinet, with consideration and approval of the future capital programmes resting with full Council. The Council's Constitution is consistent with compliance requirements. It is anticipated that the actual resulting capital strategy will be reconciled and consistent with a wider financial strategy and both available for consideration during Spring cycle of meetings.

2 **Recommendations** **(to be undertaken by Select Committee)**

To consider and provide feedback upon the budget assumptions, pressures and savings proformas affecting this Select portfolio area.

2.1 That Cabinet considers the capital strategy requirements and assesses the preparedness of current practices to satisfy capital strategy compliance obligations for onward endorsement to Council as part of capital strategy report in January 2019.

2.2 That Cabinet considers the annual core capital programme identified in Appendix 2 for 2019-20, together with the additions proposed in paras 6.14 to 6.18,, and issues its draft capital budget proposals for 2019/20 to 2022/23 for consultation purposes.

2.3 That Cabinet reaffirms the principle that during the financial year, any new schemes volunteered can only be added to the programme if the business case demonstrates that they are self-financing or if the scheme is deemed a higher priority than current schemes in the programme and therefore displaces it.

2.4 When considering the relative merits of projects and potential displacement, that Cabinet consider the indicative priority matrix supplied in para 4.15, either endorsing or amending it for onward consideration by full Council.

2.5 That Cabinet considers the extent of proposed sale of assets captured in exempt Appendix 5, in order to support the capital programme, and that once agreed, no further options are considered for these assets.

2.6 That Cabinet note the potential forecast of capital receipt levels, prior to the consideration of using £75,000 of receipts balance to afford condition survey work to update historic condition survey information and a ceiling of capital receipts funding of £300k to assist with the business case affordability of Severn View Residential Home replacement. Any excess of capital receipts generated thereafter is proposed to be applied by Treasury colleagues in a fashion that will mitigate minimum revenue provision costs and interest payments, to assist with revenue budget management. This is a change in capital receipt strategy to that applied in earmarking receipt generation to afford Members tranche A Future Schools aspirations. This will mean that any further school redevelopment will need to derive a greater extent of revenue headroom to afford the prudential borrowing financing of such developments.

3. **Capital Strategy Summary Considerations**

3.1 The Capital Strategy sets out the council's approach to capital investment over a longer timeframe than is traditional in the 4 year medium term financial plan and will provide a framework through which our resources, and those matched with key partners, are allocated to help meet strategic priorities.

It is about planning, prioritisation, management and funding and is more informed by the council's consideration of

- Corporate Plan
- Asset Management Plan
- Commercial Investments Strategy
- Treasury Management

These documents are separately considered by Council and current versions are bookmarked as supporting documents.

4. MCC's specific Capital Strategy 2019/20 – 2022/23 Considerations.

4.1 The Capital Strategy will increasingly need to form a key part of the Council's overall Corporate Planning Framework. It provides a mechanism by which capital expenditure and investment decisions are better aligned, over a medium term (four years) planning period with the corporate plan. Service colleagues are quantifying the work necessary to afford Corporate Plan aspirations. This should be completed by the time that actual Capital Strategy is provided for consideration.

4.2 The Strategy should also provide a framework by which investment decisions will be made, to include consideration of prioritisation, planning, outcomes, management, funding and monitoring, and is linked to the Council's other strategies and plans.

4.3 The key aims of the Capital Strategy are to provide a clear set of objectives and a framework, within the CIPFA codes and statutory legislation, by which new projects are evaluated to ensure that all new funding is targeted at meeting the priorities of the Council.

Prioritisation and Planning Considerations

4.4 Underlying the Capital Strategy is the recognition that the financial resources available to meet Council priorities are constrained by a significant reduction in financial resources. The Council must therefore continue to rely on capital expenditure that either

- Demonstrably pays for itself through an explicit prudential borrowing business case, or
- Replaces something already in the capital programme, as a higher strategic priority.

4.5 It is also recognised that corporate plan aspirations are predominantly “front facing” service delivery focussed, articulating developments of consequence to the electorate. It won’t cover for instance the regulatory and statutory necessities that are a given in providing services in a professional and reasonable fashion to the ultimate satisfaction of public sector regulatory agents.

4.6 Similarly, the Asset Management Plan (AMP) identifies significant backlog maintenance issues across the Council’s property portfolio. The AMP identifies the necessary investment needed to bring the operational asset stock up to current standards. It is considered that this level of investment is currently unaffordable. The Council’s priority is to dispose of any surplus assets and then prioritise the limited financial resources available via income generation, grant, capital receipts and private sector contributions to maximise outputs with minimal ongoing future revenue costs.

4.7 The wider regeneration of the County relies on housing, highways, education, property investment and employment opportunities, in part funded from private sector investment into new jobs, economic growth and homes. These in turn contribute towards Council funding over the longer term in the form of additional council tax, business rates or land sale receipts. New employment also reduces the reliance upon benefits, creates new economic activity, impacts on the housing market and improves people’s life styles and impacts on wider strategies such as health and social care.

4.8 In order to derive a priority ranking for schemes that is comprehensive and useful into the future, it is necessary to try to anticipate future schemes and demands upon local authorities, examples foreseen include,

- Councils can ascribe to protecting the vulnerable – and traditionally capital expenditure by local authorities tends to be through investment into Council owned or private care facilities that increase service capacity, improve quality, reduce homelessness and where possible mitigate the ongoing revenue costs of care provision for all ages across the County. MCC also has a motivation to support individuals within their communities where appropriate, as an alternative to institutionalised care

- Members acknowledge the sense of promoting employment within the area – Councils can anticipate needing to utilise its own land and property assets with other Government agencies and private developers to create long term employment opportunities.
- Councils retains a significant repairing liability in relation to Highways, and particular Councils, including MCC, also undertake major highway works to trunk roads which is afforded by Welsh Government through an agency arrangement. The sub network, where adopted, remains the direct responsibility of local authorities, and is afforded through specific grant funding and a portion of general capital funding. But also historically there can be pressure to accommodate/manage developer introduced assets once developers have moved on. This can be commonplace in things like community sewer pumping stations that don't discharge into the national network and whose condition and upkeep can be highly variable. Councils have also recently inherited a regulatory responsibility to advise and monitor the provision of sustainable drainage systems (SUDS) in response to reducing risk of flooding, that could be expected to introduce additional cost which can be recharged to developers, but which could be regarded as circular in nature as developers will commonly negotiate down Council's affordable housing requirements on the basis of overall viability of schemes.
  Relatedly the Council also oversees Street Lighting & Traffic Control – A significant maintenance backlog has been identified which needs to be addressed. Two tranches of invest to save interest free loans overseen from Welsh Government have been utilised to update lighting columns to more energy efficient facilities, reduce revenue costs of maintenance, energy and carbon tax liabilities, but with loans having to be paid back as the first call on any net savings.

- Other initiatives based on sustainable business plans, to illustratively include:-

  - Reducing its backlog property maintenance liability by rationalising its office accommodation and other operational estate. The rationalisation anticipated to be in the form of moving out of leased / rented accommodation, transforming or integrating services to reduce costs and sales of surplus assets to generate receipts.
  - Investing in schools to improve the asset stock and provide an improved educational environment.
  - Investing in culture and tourism which is a significant part of the Council's aspirations. Culture organisations operate from several Council owned high cost listed buildings so investment will seek to

match against third party funds and move these into the third sector where a sustainable self-funded business plan has been agreed.
- Investing in ICT hardware infrastructure and software on a case by case basis the primary focus being delivering budget savings and providing “state of the art” technologies.

4.9 In the current economic climate financial, public sector resourcing tends to be a limiting factor for Councils, so in common with others, many consider how they may promote future opportunity through various delivery models including its own subsidiary companies e.g. CMC2, Monlife teckal company, energy generation companies, potential development companies, that have access to alternate sources of funding.

Commonly such entities look to address,

- Economic Investment – Councils can seek and deliver projects that generate longer term economic growth alongside the financial benefits. Based on robust business cases, under the oversight of Investment Committee, the Council will continue to make appropriate acquisitions, develop property, retain its existing land for development, transform services or provide business support to assist with the delivery of projects to derive over 3 years a balanced portfolio of investments costing up to £50m total with a basic return on investment test of 2% above financing costs.

4.10 Also in respect of innovative business models, MCC in common with other Councils, retains an active interest in strategic housing matters, but has previously outsourced/released its operational landlord function. This has led to a limited element of past resources being applied to influencing the housing market in the County, whether this being from point of view of releasing land parcels, negotiating affordable housing, or more actively holding equity in limited low cost housing stock around Usk. Should the Council wish to more actively satisfy its aspiration in respect of delivering new homes it may need to consider the creation of a specific Development Company to be able to.

- Safeguard affordable rents
- Offer a mix of products - Rental, for sale, rent to buy
- Influence supported housing needs not delivered by the market, e.g. housing for foster carers, care leavers, older people
- bring private void properties back into use

- more effective use of Council's land and property assets

Common to Housing stock transfer, the acceptance of WG dowry funding to afford the transfer carried a condition that necessitated the Council's housing revenue account (HRA) being wound up consequential to a commitment to being no longer a registered social landlord. So it will likely need to consider the merits or otherwise of creating a Housing Development company in facilitating its housing aspirations. This isn't uncommon, and over a quarter of English authorities, both those with and without HRAs, have established Housing companies to more directly influence housing products whilst deriving an additional income for their parent Council. Martin Tett, housing spokesperson for the Local Government Association, said: *"Councils are setting up housing companies to help plug gaps in their local housing markets. This can aim to help meet the need for affordable homes, move-on accommodation, housing for older people or the provision of good quality private rented homes."*

4.11 So reflecting upon this multiplicity of considerations as well as Corporate Plan aspirations, potential capital projects could helpfully be pigeonholed into meeting the following criteria: An indicative ranking is volunteered to assist Members' consideration of the relative priority of projects.

Aspect	Indicative Rank
Health & safety (life and limb works)	1
Legal and Regulatory obligations	1
Allow a balanced revenue budget to be set	2
Deliver corporate plan priorities	2.5
Spend to save – transformational works,	3
Spend to earn net income – rents, interest and dividends	3
Create sustainable income streams – business rates and council tax	3
Asset management plan outcomes	4
Addresses major infrastructure investment	4
Attract significant 3rd party or private match funding to the County	5
Deliver wider economic outcomes	5

4.12 This ranking provides a pragmatic attempt to provide a prioritised framework for member consideration to collectively endorse or replace. It seeks to prioritise health and safety and regulatory obligations ahead of corporate plan aspirations, but also seeks to captures a variety of scenarios that may promote capital spending that meet other strategic ends after addressing its corporate plan considerations.

Funding Approach

4.13 In a significant period of public sector funding rationing, Members have previously subscribed to an approach through the year whereby to add a new scheme to the approved programme requires either,

- It to be self-affording in that the financial benefits of such are more than sufficient to meet the ongoing funding costs, and in support of this Council will receive adhoc reports from service managers, very much on a business case by business case basis, to evaluate whether to proceed with such e.g. solar farm considerations, commercial investment programme budget.
  OR
- That the importance/priority of the project is perceived higher than something already within the programme and it replaces it. These sort of decisions are more infrequent but as an indication this was the approach that resulted in Property maintenance budget affording the recent work to E block.

Both considerations remain appropriate and sit well within an attempt to provide a priority setting framework for Members from a compliance point of view.

4.14 The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver capital plans and programmes.

4.15 There are a range of potential funding sources which can be generated locally either by the Council itself or in partnership with others. Councils will increasingly need to seek new levels of private sector investment to match against its capital programme, this may be in addition to capital receipts from land sales, joint funding opportunities across the private sector or City Region approved funds on a wide range of projects.

4.16 The Strategy is intended to maximise the financial resources available for investment in service provision and improvement within the framework of the MTFP. Whilst at the same time ensuring that each business case has a robust self-sustaining financial model that delivers on the wider outcomes of the strategy.

4.17 The main sources of capital funding available to the Council are summarised as follows:

- **Central Government grants** – Grants are allocated in relation to specific programmes or projects and the Council would seek to maximise in the current economic climate such allocations, developing appropriate projects and programmes which reflect government and partnership led initiatives and agendas but address priority needs in the County e.g. Future schools programme
- **WG Settlement** - The majority of "planned" capital expenditure for maintenance of transport infrastructure and provision of Disabled Facilities are provided by core AEF capital grant.
- **Untapped Developer and other public/private funding** - A growing number of private organisations and finance houses such as pension fund are showing interest in investing in public sector infrastructure when clear joint benefits exist. Each case will be subject to specific financial appraisals and Council approvals. Increasingly the expectation is for Councils to seek contributions from developers / funders towards the provision of public or private assets or facilities. The Council will continue to work with the private sector and its strategic partners e.g. Registered Social Landlords to utilise its redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. It will also continue to work with the health providers and other public agencies to consider projects that are to the mutual benefit of all parties and the wider economic impacts to the County and the region.
- **Section 106 funding** - In some cases contributions are received in order to mitigate the impact of their development on communities referred to as Section 106 receipts and commuted maintenance sums for facilities built by developer and adopted by Council. These contributions are usually earmarked for specific purposes in planning agreements and often related to infrastructure projects. Developers may also contribute to Highways Infrastructure through section 38 and 278 agreements to facilitate their development. The Council is committed to working with its subsidiary companies and partners in the development of the County and its services. Various mechanisms provide opportunities to enhance the Council's investment potential with support and contributions from other third party and local strategic partners. These may range from commissioning / facilitating others to develop services in the County; funding for regeneration projects; and through match funding joint funding of developments.
- **Locally generated funding**
- **Prudential "unsupported" borrowing** – under the Prudential Code the Council has discretion to undertake borrowing providing it can afford the

consequences, and that the expenditure meets capital expenditure definitions. Given the pressure on the Council's revenue budget in future years, prudent use is appropriate on schemes with a clear financial benefit, such as "invest to save", or "spend to earn" – such schemes needing to demonstrate providing a net return over and above the borrowing cost inclusive of interest and Minimum Revenue Provision (MRP) which contributes to the overall Council financial position. Such investment requires compliance with the Code's regulatory framework which requires any such borrowing to be prudent, affordable and sustainable. The Council will make no assessment of property appreciation in affording such business cases such that any benefit will be received on any future sale of assets enhancing its prudent approach.

- **Capital receipts from asset disposals** – the Council has a substantial land and property estate, mainly for operational service requirements and administrative buildings. This "estate" is managed through the Asset Management Plan which identifies property requirements and, where appropriate, properties which are surplus to requirements and which may be disposed of. However capital receipts from asset disposal represents a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment or offset future debt or transitional costs, included within the new flexibilities provisions, as and when received.

4.18 As part of the 2019-20 budget setting considerations, forecasts of receipts to be received in future years have been revised to reflect the latest strategic programme of sales. The current prediction of capital receipts for the next 4 years is anticipated as supplied in Appendix 5.

In summary though the following table indicates the cumulative anticipated capital receipt levels before application, at the end of respective financial years.

	2019-20	2020-21	2021-22	2022-23
	£'000	£'000	£'000	£'000
Capital Receipt indications for Fin Year ending	8,144	14,001	14,766	14,531

The Council will continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case has been considered by asset management working group and endorsed for Council approval. This is consistent with Council's surplus asset policy. Capital receipts have been a significant source of finance in previous financial years, predominantly allowing the newly built Monmouth and Caldicot Comprehensive schools involving £34m capital receipts use. Capital receipts can be utilised to repay existing debt, reducing the capital financing requirement and the extent of minimum revenue provision needing to be afforded. Welsh Government also periodically issue capitalisation directives that allow for traditional revenue expenditure to be afforded by capital receipts usage. For instance, this flexibility is offered in facilitating cross Council working designed to rationalise and share services, it can also in certain circumstance be used to afford redundancy costs where that cost is as a result of wider re-engineering of services. So such receipts can have a role in reducing revenue costs to assist in establishing a balanced budgets. Given a current unbalanced revenue budget and business case for tranche B schools aspiration not yet being available (to be worked on through 2019-20), it is proposed to suspend any significant allocation of capital receipts until those challenges are more explicitly addressed/quantified.

Periodic capital receipts monitoring will continue to be available to Cabinet, and each of the 4 Select Committees, through the financial year.

- **Lease finance** - where alternative funding is not available for vehicles or minor equipment and the revenue budget does not allow for a full capital repayment and there is a robust business case then the option of leasing may be considered. The financing of expenditure by lease needs to take into account;
    - value of expenditure
    - Residual value
    - Life span of equipment matches the funding proposed
    - The equipment to be replaced is part of a rolling programme that covers the whole service area or by type of equipment.

  Traditionally the Council has used leasing as a funding source for Leisure equipment replacement and vehicle acquisition, particularly in waste service area with changes to pick up arrangements, and potentially increasing with the expiry of Viridor amenity site management contract where the level of vehicle specificity and equipment demands could reasonably be expected to increase. The Council will utilise operational leases where possible for purchase of minor equipment, IT and vehicles supported by an appropriate robust business case. However changes to financial reporting standards mean that where such operational leases are predominantly for the life of the asset, these should instead be explicit on balance sheet as if they were finance leases in substance

- **Earmarked Reserves** – Earmarked reserves represent a finite one off use resource that have been put aside for a particular purpose. So the IT reserve is commonly used to afford capital IT projects, capital receipts generation reserve is used to part afford the activities of the Corporate landlord service in facilitating sale of assets, and Invest to Save reserve could be used to smooth any peaks and troughs anticipated in a business case to allow them to proceed in affording short term costs for longer term financial benefit and replenishment.
- **Revenue** – Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). In addition to specific revenue funds previously set aside, such as repairs and renewal funds, capital expenditure may be funded by specific revenue budget provision. However, the general pressures on the Council's revenue budget and council tax levels limits the extent to which this may be utilised on a £ for £ basis as a source of capital funding, instead the focus is more efficiently considered as part of the headroom such capacity brings longer term and recurrently to afford prudential borrowing.

So how will the Capital Strategy assist in how the Council identifies, programmes and prioritises funding requirements and proposals?

Management

4.19 The capital MTFP and resulting financing costs built into revenue MTFP reflects a steady state approach to capital schemes, in capturing the extent of schemes that have a core recurring amount applied to them annually e.g. DFGs, property services maintenance, county farms maintenance together with those specific schemes that have already received member consideration and approval to proceed, or reflect an agreed multi year commitment through Members slippage considerations.

4.20 Consequently any new schemes proposed for future years will need to be an explicit consideration to members, and part of the presentation of such will involve identifying any of the treasury consequences, so that colleagues can more easily recast treasury figures in MTFP if Members chose to accept any proposed projects.

4.21 In giving practical effect to Members approved asset strategies, traditionally officer consideration of new schemes has been through asset management group and capital financing group. Both groups have their strengths and weaknesses, but are restrictive in outlook, such that the asset management group tends to look at facilities management rather than wider infrastructure considerations and capital financing group tends to focus on management of existing programme rather than future schemes, so increasingly there are occasions where asset decisions are proposed by services without regard to either fora.

4.22 As it is usual for very similar managers to attend both the asset management and capital working groups, it is proposed to amalgamate them into one for its terms of reference to include a wider asset considerations better able to consider priorities against a backdrop of funding opportunities in the same meeting, utilising a business case approach and evaluating how closely proposals meet the criteria above in para 4.11, to be able to volunteer proposals to full Council for consideration.

4.23 It is anticipated a more holistic group involving financial, legal, property and economic expertise will allow the Council to make better use of this internal officer experience supported by external professional advisors where necessary to ensure robust investment decisions are made. It will however need to widen its emphasis to include more than building maintenance priorities, to include highways and infrastructure and to have a more strategic than operational viewpoint in the management of capital programme, such that the combined asset management and capital working group will also consider options available for funding expenditure and how resources may be maximised to generate investment in the area.

4.24 The Council employs professionally qualified and experienced staff in senior positions with responsibility for advising on capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Deputy (fulfilling the Council sc151 responsibilities), the Corporate Landlord Head of service, and legal staff are required to hold an appropriate professional qualification and are committed to continuing professional development. Where other Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and Alder-king as its’ commercial investment agent. This approach remains more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

4.25 Members also receive indirectly adhoc updates from finance staff through feedback to resourcing sections of service managers reports, designed to influence the robustness of resource assumptions being made in business cases. They also receive formal periodic updates on the quantum available for investment over the MTFP planning period. It will continue to do this through the periodic monitoring reports in highlighting capital receipt activity, reserve levels and capital scheme progress, and also annually through the Council’s budget setting considerations in evaluating settlement information, coordinating the various income generating aspects, from advising on Council tax levels and facilitating the discretionary fees and charges reports.

4.26 Council recently agreed to the provision of an Investments sub Committee to oversee a 3 year £50m Commercial Investment Strategy, reporting activity back through the scrutiny process subsequently. The related Strategy document is bookmarked in Appendices, designed to demonstrate that the strategy application overseen by that Investment Committee has an intended overall balance of risk on a range of projects over timespan, funding mechanism and rate of return, which again is consistent with compliance aspects.

4.27 The importance of a capital strategy informing robust Member decision making suggests a heightened discipline from service managers to describe the effective arrangements for the management of proposed capital scheme expenditure including a more resilient assessment of project outcomes and options, budget profiling (where the project extends over multiple financial years), and deliverability risks/assumptions. This will allow for a more useful post project assessment against expected outcomes to review the robustness of planning assumptions. Where the capital expenditure is promoted as an "investment", in an environment of scarce resourcing, a greater emphasis on a value for money commentary needs to be provided and the safeguards commonly operating around treasury management investments around security, liquidity and yield of investments considerations has been widened to apply to capital investments more generally.

4.28 The results of officer activity are intended to assist Members to determine a prudent, affordable and self-sustaining funding policy framework, whilst minimising or mitigating the ongoing revenue implications of any such investment;

<u>Governance and Outcomes</u>

4.29 The primary purpose of capital governance as well as satisfying public stewardship, is to ensure that available resources are allocated optimally and deliver value for money, and that investment programme planning is, whilst having its own approval process, determined in parallel with the service and revenue budget planning process within the framework of the MTFP, given the common consequence to revenue budgets in providing necessary headroom to facilitate prudential borrowing.

4.30 As described briefly above, any new schemes proposed for next year and onward are separately captured as a pressure in the reporting of the proposed Capital programme and any explicit proposals separately shown in treasury aspect of Revenue MTFP, to allow Members more transparently to consider the choices more explicitly whether to support a scheme or otherwise.

4.31 New programmes of expenditure will be appraised along with other investments and grant allocation programmes following a clearly defined gateway process involving the priority ranking above and ultimately volunteered to Members when proposals are robust, outcomes clear and cost certainty exists, or tolerance established for any financial assumptions needing to be made, as to whether certain due diligence work can proceed or where outcomes or financial parameters are outside that agreed with Council, that it needs to be reported back to full Council for continued endorsement or otherwise.

4.32 In consideration of compliance adherence, the democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investments in the Capital Programme includes the following aspects,

- The Executive has overall responsibility for the strategic development, management and monitoring of the capital and investment programme directly;
- Council which is ultimately responsible for considering and approving the Capital Strategy, the Treasury Management Policy, and the subsequent operational Capital Programme;
- The Audit Committee is responsible for the development and scrutiny of Treasury Management strategy and onward endorsement to full Council, and could be used in a similar fashion in relation to onward endorsement of Capital strategy.
- An Investment Committee made up of cross party attendance which will oversee the investment portfolio. It will be supported by a technical group of officers from diverse specialisms that will continue to appraise all business plans using independent external advisors if necessary. This will assist the making of investment decisions based on full site investigations, due diligence, a funding package that indicates a net return to the Council , involving full risk and reward assessments, life time costings and component and asset replacement. The Committee will also review existing projects to monitor outcomes against intentions and divest itself of assets where appropriate.
- As a small variation in the capital programme approval, pragmatically Cabinet has traditionally been used to approve Leisure section 106 refinements/variations to the approved programme during the year as part of its periodic capital monitoring reports

- The Select Committees are responsible for assessing the quality of monitoring activities for their portfolios during the year
- All projects are required to following the Constitution requirements agreed by Members, including the procurement arrangements, standing orders and financial regulations.
- Directorate Management Teams sponsor, advocate and oversee the preparation of business cases for forward consideration by asset management and capital programme working group prior to sign off and for submission to Members either in the form of report to Investment Sub Committee or full Council for approval or otherwise;
- Specific Project boards of management groups with wide ranging membership to oversee significant development projects as required e.g. Future schools project board.
- The Chief Finance Officer responsibilities extend to reporting to management team colleagues and Members ultimately on the sustainability and affordability of investment decisions having regard to the Council's financial position. The role is also fairly unique within Councils in holding a fiduciary duty on the quality of financial administration to the electorate.

These arrangements are consistent with compliance requirements.

5. Business Case Consideration and Evaluation

5.1 For projects and programmes, the business cases submitted will need to be increasingly clearer about the investment levels required, source of funding, outcomes to be delivered, risk assessments, appropriate due diligence, repayment mechanisms, revenue impacts and full lifetime costings. At present, given the newness of capital strategy there isn't a wealth of assessment practice available to volunteer a tested approach for Members to consider in this particular area as yet.

5.2 Future monitoring of the programmes will need to include more rigorous expenditure profiling, outcome achievements, delivery against timetable, returns, risk assessments and completion reviews undertaken for each project by responsible service officer, to consider any lessons learned and opportunities to further refine the assessment process.

5.3 The existing separation of responsibilities remain fit for purpose with periodic capital programme reports continuing to be submitted to Cabinet that identify changes within the programme to reflect;

- Rescheduling and anticipated delays in programme delivery

- Virements between schemes and programmes to maximise delivery as per delegations captured in Financial Regulations section of Constitution.
- Revisions to spend profile and funding to ensure ongoing revenue costs are minimised.
- Monitor the funding of the programme

The approval of the Capital programme remains with full Council for the following,

- New resource allocations
- Projects reduced or removed
- Capital receipts generated

5.4 The Council has recently approved a £50million commercial investment fund to be managed by an Investment Committee over a 3 year period. To date the Council has acquired the Castlegate business site in Caldicot area.

5.5 Business case reports will be received by Investment Committee to consider new activity or refine existing portfolio. Economy & Development Select Committee, in annually reviewing such activity, will have access to the external commercial investments made, their justification, progress on outcomes and other key issues and risks arising that may require future actions.

5.6 All projects will need to reflect the full development costs including purchase, taxes SDLT at the applicable rates and a level of fees to cover due diligence, full site surveys, legal and other transactional costs. Business cases will also need to include all lifetime maintenance, management costs and income from the proposals. Where necessary, specialist advice and support will be taken.

5.7 It is anticipated that the programme involves tangible asset creation for the Council, considering a range of purchase, lease and loan funding. These cash flows will be based on a determined Internal Rate of Return (IRR). The balanced portfolio approach will ensure an overall net average return reflecting some investments will yield higher returns than others, but the key investment metric is that any investment needs to provide a net return more than sufficient to cover its financing costs after its asset life costing.

5.8 Projects will be balanced to size of the initial project cost, sector, priority regeneration outcomes and financial returns delivered. Interest rates and borrowing related to projects will be informed by useful asset life.

- Monmouthshire's interest in Commercial Investments is at an early stage. Illustration of the sorts of investments other Councils have involved themselves in include,

- General commercial sectors e.g. office, industrial, retail, distribution, parking, hospitality

- Specific sectors that enhance the growth of other partners, e.g. Councils can commonly look at life sciences in partnership with Health and Universities, or in respect of South East Wales particularly City Deal has exhibited an interest in semiconductor technology to incentive business ingress.

- Consideration of a range of finance structures to spread risks including the Council's own subsidiary companies e.g. Community Interest Companies, Teckals, private company limited by share.

- Range of financial returns, both in revenue income to the County but also investment rate of return.

- Range of outcomes to include new employment, growth, floor space etc.

- Range of asset ownerships to maximise the longer term benefits, buy outright, community ownership, rent and lease.

These catalysts provide much of the rationale for the creation of the Commercial Investments Strategy, which is bookmarked as a background paper.

5.9 The Council will adopt a rigorous approach to enforcement of terms relating to investments. It will seek the appropriate advice in the event that terms are not being adhered to and take the appropriate action to recover its funds or divest itself of investment where returns are not sufficient to cover costs.

5.10 Currently the strategic focus on investments is towards the creation and ownership of "bricks and mortar" assets, rather than investment in equity based assets. A new international financial reporting standards (IFRS9) affects Equity and financial based instruments, and requires an annual valuation affecting the balance sheet and gains or losses immediately passported to the Revenue Account. This has the potential of creating a greater volatility upon reporting, and so is perhaps better considered after the Council has developed its expertise and skill in commercial property management.

6. SPECIFIC CAPITAL MTFP CONSEQUENCES 2019-20

6.1 Councils are required to have a capital strategy for financial year 2019-20, and it is anticipated formal strategy will come before Council in due course.. However, whilst the focus of this report reflects an assessment of preparedness against Capital Strategy requirements, initial capital budget proposals for 2019-20 need to reflect an enhanced capital strategy discipline, hence the exploration of planning, priority setting and governance within a strategic context.

6.2 The following section outlines the proposed capital budget for 2019/20 and the indicative capital budgets for the three years 2020/21 to 2022/23.

Key Strategic Issues:

6.3 The capital MTFP put in place in the face of an ever reducing resource base from Welsh Government has been reviewed. The strategy going forward will need to have regard for the following key components:

- The core MTFP capital programme needs to be financially sustainable without drawing on further funding.

- The completion of tranche A Future schools programme remains the most significant aspect of capital programme. No automatic allowance has yet been made in relation to a tranche B programme that is currently being considered by Welsh Government, nor any other new capital priorities.

- For the last 2 financial years the budget discussions has resulting in an extra £300k per annum being directed to Disabled Facilities Grants to address backlog issues. Consequently the 2019/20 starting capital position excludes that sum, but the potential exists for members to consider such again during their budget deliberations.

- No inflation increases will be applied to any of the capital programme with property maintenance budget and Infrastructure maintenance budget set at the same level as last year, priorities to be decided by maintenance colleagues, however condition survey information tends to be historic in nature.

- Similarly the County farms maintenance programme is based on a set allocation per annum, with priorities being informed by officer consideration rather than rolling programme condition surveys.

- Budget for Area Management of £20k in the programme hasn't been utilised to degree originally intended when incorporated by full Council and could be further reduced or cut in the face of other pressures.

- The provisional settlement maintains effectively a standstill funding position in respect of core capital grant and supported borrowing for

2019/20. This has presumed to continue at the same levels through the later 3 years of MTFP.

- Budget to enhance or prepare assets for sale will be maintained and funded through the capital receipt regeneration reserve in order to maximize receipt generation to assist Members strategic choice.

Key Capital MTFP issues

6.4 The four year capital programme is reviewed annually and updated to take account of any new information that is relevant.

6.5 The Council's Tranche A Future schools programme is coming to a successful conclusion. Colleagues are working through options in relation to a future Welsh Government tranche B programme. No presumption has been made to add such costs into this next 4 year window as yet as costs of proposals and their affordability are still to be established.

6.6 As part of 2017-18 budget deliberations, Members requested the effect of 5 additional priorities be modelled and annual financing headroom of £500k added to the revenue treasury budget to afford any related debt repayments. By the start of Members 2019-20 budget deliberations, these schemes have all crystalised and been added explicitly to the capital programme during current year, namely,

- Monmouth Pool – commitment to reprovide the pool in Monmouth as a consequence of the Future schools programme, £7.3 million project afforded by £1.9m Future schools programme, £985k sc106, core treasury funding of circa £835k, and £3.58million prudential borrowing afforded by the Leisure service through additional income predictions (MRP predicted to start in 2019/20)

- Abergavenny Hub – commitment to reprovide the library with the One Stop Shop in Abergavenny to conclude the creation of a Hub in each of the towns. £2.3 million (MRP predicted to start in 2019/20)

- Disabled Facilities Grants – the demand for grants has outstripped the annual budget. Members ultimately chose supplement the core DFG commitment by £300k pa, in each of last 2 years.

- City Deal - 10 Authorities in the Cardiff City region are looking at a potential £1.2 billion City Deal. Agreement to commit to this programme occurred in January 2018. The potential impact on individual authority budgets has been modelled in advance of decisions on specific projects and profiles in order for authorities to start reflecting the commitment in their MTFPs. The potential is for the 10 authorities to provide collectively £120 million over time, with individual contributions being reflective of populations. Our indicative liability (based on 6.1% relative population) over the 10 years since inception is likely to be

2017-18	£1,487k
2018-19	£1,088

Contributions predicted, and subsumed within the forthcoming MTFP window

Year	Amount
2019-20	£311k
2020-21	£311k
2021-22	£489k
2022-23	£489k

Contributions predicted following the MTFP window

2023-24	£800k
2024-25	£800k
2025-26	£799k
2026-27	£799k
Total	£7,372k

- J and E Block – E block was completed during 2017-18 and social care colleagues are in occupation. A J block report was considered by full Council recently and the budget supplemented by £1.3m to existing £1m budget, funded by prudential borrowing, and afforded by savings within the central accommodation budget financing the debt repayments.

MRP is presumed to start in the year after the contribution in made, and in all cases above, an asset life of 25 years has been presumed:.

6.7 As in previous years, service managers have supplied the pressures indicated in Appendix 1. There is a role for asset management working group to gatekeep more up to date pressures, recognising that many have not been updated since the 2017-18 budget setting process. These will increasingly need to form the Council's capital budget deliberations going forward, and during this review it has become apparent that the periodic condition survey of assets has been on decline, as resources have been used for physical repair work. In the environment of more robust capital strategy considerations, this is felt to be an oversight. Notwithstanding this, given the extent of pressures volunteered, pragmatically there will always remain a considerable number of pressures that will sit outside of any potential to fund them within the forthcoming Capital programme and this has significant risk associated with it. Cabinet have previously accepted this risk and agreed to considering proposals in the form of business cases that are either demonstrably self-affording or displaces an existing commitment as a higher, more urgent, priority.

6.8 In summary the following other issues and pressures have been identified:

- Long list of back log pressures remain out of date and without indication of when work is required – infrastructure, property, DDA work, Public rights of way, as outlined in Appendix 1. None of these pressures are included in the current capital MTFP, but this carries with it a considerable risk.
- In addition to this there are various schemes/proposals (e.g. Alternative delivery model for Leisure, tourism and culture services, tranche B Future schools, any enhanced DFG spending, waste fleet vehicle replacement, community amenity site enhancement) that could also have a capital consequence, but in advance of quantifying those or having Member consideration of these items, they are also excluded from current capital MTFP.
- Capital investment required to deliver revenue savings – this is principally in the area of office accommodation, operational services, social care, property investment and possibly additional learning needs. The level of investment is currently being assessed however, in accordance with the principle already set above, if the schemes are not going to displace anything already in the programme then the cost of any additional borrowing will need to be netted off the saving to be made.
- The IT reserve is finite so funding for any major new IT investment is limited. Any additional IT schemes will need to either be able to pay for themselves or displace other schemes afforded by the IT reserve in the programme.
- Base interest rates are anticipated to increase by 0.05% before the end of the calendar year. An upward trend in such, places a higher emphasis on assessing the merits of switching a proportion of short term recurring borrowing with equivalent longer term (fixed rate) deals. Such pressures are more likely to be felt in the Revenue MTFP as it will increase the cost of borrowing over time, however it may also impact adversely upon the viability of capital business case developments and their ability to demonstrate self-affordability.

Available capital resources

6.9 Traditionally Members have been focussed on utilising any available receipts on affording its Future schools aspirations. The 2 secondary school tranche A schemes are operational with a minority of expenditure is still being incurred around groundworks, some demolition and payment of retentions. Members may remember on the basis of original £80m programme that the Council's share was anticipated to be afforded by £32m receipts and £8m prudential borrowing. This was adjusted when programme identified an extra £11m costs, such that current prediction is to have utilised £34m capital receipts with remainder of Council share afforded by borrowing.

6.10 In light of the current pressures on the Authority's medium-term revenue budget, and the principles on which any prudential borrowing must be taken of affordability, prudence and sustainability, the use of further prudential borrowing has to be carefully assessed. The table below illustrates the cumulative balance on the useable capital receipts reserve over the period 2018/19 to 2022/23 taking into account current capital receipts forecasts provided by Estates and revised balances drawn to finance the existing programme. The Council still needs to continue to make a concerted effort to maximize its capital receipts generation over the next few years. Further detail is provided in Appendix 4.

GENERAL RECEIPTS	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£000	**£000**	**£000**	**£000**	**£000**
Balance as at 31st March	**3,630**	**8,144**	**14,001**	**14,766**	**14,531**

6.11 The above table illustrates a surplus of receipts anticipated over the next MTFP window. There remains a significant risk in utilising receipts in the year they are anticipated, as experience suggests that there is often significant slippage in gaining receipts which may be due to factors outside the control of the Authority. The risk assessment on the receipts projected is contained in Appendix 5. It is crucial that once assets are identified and approved for sale that this decision is acted upon. Exploration of any alternative use of surplus assets needs to be undertaken before Council approves them for sale in order to assist in the capital planning process.

6.12 Opportunities to generate further receipts and funding streams in line with the Asset Management Plan are continuously being sought, these are outlined below:

- Review of accommodation/buildings in use by the council, with a view to further rationalization – some further rationalisation of office accommodation has been done, but there may be further potential leading to other buildings being released for sale and this is also key in identifying revenue savings

- Identification of services that can be combined as part of the whole Place agenda and establishment of community Hubs, and therefore release buildings for sale

- Implementation of County Farms strategy

6.13 The detailed core capital programme proposals are included in Appendix 2, and in summary form relate to

Capital Budget Summary 2019/20 to 2022/23	Total Budget 2019/20	Indicative Budget 2020/21	Indicative Budget 2021/22	Indicative Budget 2022/23
Asset Management Schemes	18,595,944	18,595,943	1,929,277	1,929,277
School Development Schemes	800,000	50,000	50,000	50,000
Infrastructure & Transport Schemes	2,240,740	2,240,740	2,240,740	2,240,740
Regeneration Schemes	385,941	310,500	489,100	489,100
County Farms Schemes	300,773	300,773	300,773	300,773
Inclusion Schemes	850,000	850,000	850,000	850,000
ICT Schemes	0	0	0	0
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000
Other Schemes	85,892	70,000	70,000	70,000
TOTAL EXPENDITURE	24,759,290	23,917,956	7,429,890	7,429,890
Supported Borrowing	(2,403,000)	(2,403,000)	(2,403,000)	(2,403,000)
Unsupported (Prudential) Borrowing	(18,352,167)	(17,977,166)	(1,489,100)	(1,489,100)
Grants & Contributions	(1,913,441)	(1,463,000)	(1,463,000)	(1,463,000)
Reserve & Revenue Contributions	(15,999)	(15,999)	(15,999)	(15,999)
Capital Receipts	(574,683)	(558,791)	(558,791)	(558,791)
Vehicle Lease Financing	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
TOTAL FUNDING	(24,759,290)	(23,917,956)	(7,429,890)	(7,429,890)
(SURPLUS) / DEFICIT	0	0	0	0

The following has not been added to the programme yet, pending Member consideration.

Additional Projects proposed for 2019-20

6.14 In light of the ranking of health and safety works and upon considerations of capital pressures submitted conversation with repair colleagues suggest health & safety and regulatory work in the form of disability adaptions to corporate premise, radon remedial work and school kitchen work can be treated as priorities within existing capital maintenance programmes. However given the age of condition survey work to inform work programmes and health & safety considerations, it is proposed, as a 1 year pilot, to create a £75k survey budget, afforded from capital receipt balance, to improve the quality of information available to Members in their prioritisation deliberations.

6.15 A recent report received by Adult Select Committee involved an initial assessment of the need for a replacement of Severn View residential home, which is coming to the end of its natural economic life and not easily renovated. The business case remained unbalanced, but colleagues intend to review cost quotes and the indicative capital receipt valuation of the surplus Severn View site. The final proposal is being prepared for full Council in the same timeframe as this report. Without second guessing the subsequent decision, for capital planning purposes, Members are asked to earmark a maximum of £300k capital receipts to assist with business plan affordability, at the discretion of Head of Resources who also occupies the interim sc151 responsibility.

6.16 Members have received a report concerning the waste service and the need to segregate waste streams. This had implications on the replacement of waste vehicle fleet. The existing fleet is coming to end of useful of life and is regarded as having no material residual value. The cost of this fleet procurement is £4.2m, the knock on financing over 8 year lifespan is £567k per annum (£525k minimum revenue provision per annum plus £42k interest). It is afforded through a budget virement from waste of £473k per annum, plus £95k addition to Treasury budget in 2019-20 as a revenue MTFP pressure.

6.17 Whilst not regarded as a new project per se, it also proposed to split the £1.9m capital repair works budget more explicitly between direct cost of works and the staff recharges. Traditionally the Property services team has not been core funded, requiring its work to be recharged to revenue and capital schemes. Initially that budget will be split 88:12 between works and fees, but the expenditure will reflect the actual situation in an attempt to give members a better understanding of the actual works being progressed annually. From a budget monitoring point of view, the activity will still need to be managed within £1.9m overall annual budget award.

7. REASONS:

7.1 To provide an opportunity for consultation on the capital budget proposals.

8. RESOURCE IMPLICATIONS:

8.1 Resource implications are noted throughout the report both in terms of how the core programme is financially sustainable, the key issues that require further quantification and also the risks associated with not addressing the pressures outlined in Appendix 1.

9. FUTURE GENERATIONS ASSESSMENT AND EQUALITY IMPLICATIONS:

9.1 Capital budgets which impact on individuals with protected characteristics, most notably renovation grants and access for all budgets are being maintained at their core levels.

9.2 The equality impact of the mechanism to allocate maintenance budgets to individual schemes should be in place and being used to aid allocation of funding

9.3 The actual impacts from this report's recommendations will be reviewed on an ongoing basis by the Capital Working Group.

10. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

None

11. CONSULTEES:

Senior Leadership Team

All Cabinet Members

Head of Legal Services

Head of Finance

12. APPENDICES:

Appendix 1 – Capital MTFP pressures

Appendix 2 – Capital budget summary programme 2019/20 to 2022/23

Appendix 3 – Forecast capital receipts 2018/19 to 2022/23

Appendix 4 – – Capital receipts risk factors

Appendix 5 (exempt) - – Capital receipts risk factors

Appendix 6 – Corporate Plan (22 for 22)

Appendix 7 – Future Generations Assessment

13. BACKGROUND PAPERS:

List of planned capital receipts: Exempt by virtue of s100 (D) of the Local Government Act 1972

Asset Management Strategy incl. County Farms Strategy

Commercial Investments Strategy

Treasury management Strategy

14. AUTHOR:

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Appendix 1 – Capital MTFP pressures

Description of Pressure	Forecast Cost	Date last updated	Responsible Officer / Champion
Current Rights of Way issues (Whitebrook byway) - Engineering assessments have been completed on landslip / collapse of byway at Whitebrook, estimated cost of repairs in the region of £70-£80k.	75,000	Dec 16	Matthew Lewis
Current Rights of Way issues (Wye and Usk Valley Walks) - Engineering assessments have been completed on river erosion / landslips on the Wye and Usk Valley Walks. [Monmouth] (Wye Valley Walk) £23,925, [Clytha] (Usk Valley Walk) £46,725, [Coed Y Prior] (Usk Valley Walk) £9,900, site investigations/design £5,500.	86,000	Dec 16	Matthew Lewis
A major review of the waste Mgt and recycling service is ongoing. Proposals are likely to include consideration of receptacles rather than bags (anticipated cost of between £0.3-1.3m) To accommodate the change at kerbside, developments will be needed at our transfer stations at an indicative cost of £800k depending on the scale of works required. Options may be limited if WG insist on certain scheme components. The quoted capital costs exclude new vehicle costs which are modelled as being leased currently.	2,100,000	Dec 16	Roger Hoggins / Carl Touhig
Monmouth Community Amenity site upgrade - indicative costs are £1.5-2m if built and run by the Council. The transfer station and CA capital costs could be avoided if the Council decided it was best value to procure a build, finance, operate contract for its sites in future. The work to evaluate these options will follow on after kerbside collection.	2,000,000	Dec 16	Roger Hoggins / Carl Touhig

Description of Pressure	Forecast Cost	Date last updated	Responsible Officer / Champion
Property Maintenance requirements for both schools & non-schools as valued by condition surveys carried out some years ago. The existing £2m annual budget mainly targets urgent maintenance e.g. health & safety, maintaining buildings wind & watertight, etc., and is insufficient to address the maintenance backlog. A lack of funding means maintenance costs will rise; that our ability to sell buildings at maximum market rates will be affected ; Our ability to deliver effective services will be affected and a Loss of revenue and poor public image.	22,000,000	Dec 16	Deb Hill Howells
Disabled adaptation works to public buildings required under disability discrimination legislation.	7,200,000	Dec 16	Deb Hill Howells
School Traffic Management Improvements - based on works carried out on similar buildings.	250,000	Dec 16	Deb Hill Howells
Refurbishment of all Public Toilets - Capital investment required to facilitate remaining transfers to Town and Community Councils	95,000	Dec 16	Deb Hill Howells
School fencing improvements	68,000	Dec 16	Deb Hill Howells/Headteachers
Modification works to school kitchens to comply with Environmental Health Standards. Without additional funding school kitchens may have to be closed and additional costs for transporting meals in incurred, possibly causing disruption to the education process.	38,000	Dec 16	Deb Hill Howells
Radon remedial works Following the commissioning of Radon Wales to carry Radon Surveys of public buildings, remedial works will be required at various premises to resolve issues	75,000	Dec 16	Deb Hill Howells

Description of Pressure	Forecast Cost	Date last updated	Responsible Officer / Champion
Countryside Rights of Way work needed to bring network up to statutorily required and safe standard. This should be taken as a provisional figure as surveys and assessments of bridges and structures are on-going and the rights of way prioritisation system which includes risk assessment will more accurately define and rank the backlog. Bridge management report on 787 bridges completed in October 2013 identifies 254 known bridge issues of which 77 need repair, 31 replacement & 80 are missing. 68 have 'other' issues including 51 bridges which require full inspection to further ascertain requirements/costs. 13 bridges are 10m+ and require replacement or repair. It is not possible to cost all of these currently but a ball park figure of £288k has been identified for the first tranche of issues. Additional ROW allocation (30K) helping, but scale of overall pressure means these figures are still relevant	2,200,000	Dec 16	Ian Saunders
Transportation/safety strategy –Air Quality Management, 20 m.p.h legislation and DDA (car parks)	1,200,000	Dec 16	Richard Cope
Disabled Facilities Grants (DFGs) – For the last 2 years the DFG's budget has been supplemented by £300k per annum.	200,000	Sep 18	Ian Bakewell
Bringing County highways to the level of a safe road network. This backlog calculation figure has been provided by Welsh Government. The Authorities Capital Programme is not addressing the backlog significantly as the annual level of funding available is not of sufficient magnitude to address this. The annual programme is set in relation to the approved budget and this programme is shared with all members. Routes are selected on the basis of their significance within the overall highway network and their condition. Programmes are reviewed annually around December and then distributed to members.	80,000,000	Dec 16	Roger Hoggins

Description of Pressure	Forecast Cost	Date Updated	Responsible Officer / Champion
Investing in infrastructure projects needed to arrest road closures due to whole or partial bank slips. Without additional expenditure there is the potential for deterioration, increased scheme costs, disruption to communities and the travelling public and road closures.	5,000,000	Dec 16	Roger Hoggins
Backlog on highways structures including old culverts, bridges and retaining walls. With existing budget this backlog will take 23 years to cover and there will be increased likelihood of loss of network availability.	12,700,000	Dec 16	Roger Hoggins
Reprovision or repair of Chain Bridge - Cost prediction is indicative at present. Summary quotes updated August 15. The bridge is currently under special management measures and inspection. Repair/ reprovision will remove / minimise the need for these measures. Without remedial work, the structure will continue to deteriorate. The current 40T maximum limit will have to be further reduced restricting access to the Lancayo area especially for heavy vehicles. Options evaluated from repairing sufficiently to maintain 40t limit, to converting to footbridge and reprovisioning	1,800,000 to 7,500,000. Mid point 4,700,000	Dec 16	Roger Hoggins
Caldicot Castle remedial works - longer term pressures given the condition of the curtain walls / towers etc. The £2-3m estimate is a ball park figure ranging from just the backlog of maintenance to also including improvements to bring the visitor facilities up to modern standards. An RDP grant is paying for a condition survey / outline conservation plan. The current condition of buildings constrains current operations and will impact on future management options including the assessment of viability of potential Cultural Services Trust. Heritage Lottery Funding is possible (but very competitive) Substantial match funding would still be required.	3,000,000	Dec 16	Ian Saunders

Description of Pressure	Forecast Cost	Date last updated	Responsible Officer / Champion
Severn View Care Facility renewal	?		Colin Richings
Future Schools Tranche B – Replacement of King Henry VIII Comprehensive school. Total cost indicated as £40m, funding split 50:50 WG:MCC. Pressure included for net	20,000,000	Jul 18	Will McLean
Total Pressures	**161,287,000**		
Description of Pressure	**Forecast Cost**	**Date Updated**	Responsible Officer / Champion
Capital investment for revenue savings			
Leisure and cultural services - Currently the service is exploring future delivery options including trust status. Part of the work will involve conditions surveys which may lead to capital works being required to expedite handover of assets. Included:- e.g. museums, Shire hall, Abergavenny castle, Old station Tintern, Caldicot castle; Have requested £30k from cabinet for work to review assets (15/10/14); Aim is also to reduce but not eliminate revenue; £400k per annum now. further down the line	1,000,000	Dec 16	Ian Saunders
ALN Strategy - Mandate 35 of the MTFP 14/15 outlines a review of current ALN service that includes Mounton House. Options could require Capital Spend but this is unknown at the present time	?		Will McLean/Nikki Wellington

Capital Budget Summary 2019/20 to 2022/23

	Total Budget 2019/20	Indicative Budget 2020/21	Indicative Budget 2021/22	Indicative Budget 2022/23
Property Maintenance	1,889,552	1,889,552	1,889,552	1,889,552
Upgrade School Kitchens	39,725	39,725	39,725	39,725
Asset Investment Fund	16,666,667	16,666,666		
Asset Management Schemes	**18,595,944**	**18,595,943**	**1,929,277**	**1,929,277**
Access for all	50,000	50,000	50,000	50,000
Monmouth High 21c school provision	750,000	0	0	0
School Development Schemes	**800,000**	**50,000**	**50,000**	**50,000**
Footway Reconstruction	190,453	190,453	190,453	190,453
Street Lighting Defect Column Programme	171,408	171,408	171,408	171,408
Reconstruction of bridges & retaining walls	449,041	449,041	449,041	449,041
Safety fence upgrades	76,181	76,181	76,181	76,181
Signing upgrades & disabled facilities	38,091	38,091	38,091	38,091
Flood Allievation Schemes	11,427	11,427	11,427	11,427
Structural Repairs - PROW	38,091	38,091	38,091	38,091
Carriageway resurfacing	1,136,540	1,136,540	1,136,540	1,136,540
Road safety & trafficman programme	129,508	129,508	129,508	129,508
Infrastructure & Transport Schemes	**2,240,740**	**2,240,740**	**2,240,740**	**2,240,740**
Capital Region City Deal	310,500	310,500	489,100	489,100
Section 106 schemes 90752-90858 & 97362 & 98881 & 97	75,441			
Regeneration Schemes	**385,941**	**310,500**	**489,100**	**489,100**
County Farms Maintenance	300,773	300,773	300,773	300,773
County Farms Schemes	**300,773**	**300,773**	**300,773**	**300,773**
Disabled Facilities Grant	600,000	600,000	600,000	600,000
Access For All	250,000	250,000	250,000	250,000
Inclusion Schemes	**850,000**	**850,000**	**850,000**	**850,000**
ICT Schemes	**0**	**0**	**0**	**0**
Vehicles Leasing	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**
County Farms Fixed Asset Disposal Costs	65,892	50,000	50,000	50,000
Area Management	20,000	20,000	20,000	20,000
Other Schemes	**85,892**	**70,000**	**70,000**	**70,000**
TOTAL EXPENDITURE	**24,759,290**	**23,917,956**	**7,429,890**	**7,429,890**
Supported Borrowing	(2,353,000)	(2,353,000)	(2,353,000)	(2,353,000)
Supported Borrowing	(50,000)	(50,000)	(50,000)	(50,000)
Supported Borrowing	**(2,403,000)**	**(2,403,000)**	**(2,403,000)**	**(2,403,000)**
Unsupported (Prudential) Borrowing	(375,000)			
Unsupported (Prudential) Asset Investment Fund	(16,666,667)	(16,666,666)		
Unsupported (Prudential) Capital Region City Deal	(310,500)	(310,500)	(489,100)	(489,100)
Unsupported (Prudential) Borrowing	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Unsupported (Prudential) Borrowing	**(18,352,167)**	**(17,977,166)**	**(1,489,100)**	**(1,489,100)**
Grants & Contributions	**(1,913,441)**	**(1,463,000)**	**(1,463,000)**	**(1,463,000)**
IT Reserve	**0**	**0**	**0**	**0**
Capital Investment Reserve	**(15,999)**	**(15,999)**	**(15,999)**	**(15,999)**
Invest to Redesign Reserve	**0**	**0**	**0**	**0**
Reserve & Revenue Contributions	(15,999)	(15,999)	(15,999)	(15,999)
Capital Receipts	**(574,683)**	**(558,791)**	**(558,791)**	**(558,791)**
Vehicle Lease Financing	**(1,500,000)**	**(1,500,000)**	**(1,500,000)**	**(1,500,000)**
TOTAL FUNDING	**(24,759,290)**	**(23,917,956)**	**(7,429,890)**	**(7,429,890)**
(SURPLUS) / DEFICIT	**0**	**0**	**0**	**0**

Forecast Useable Capital Receipts

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

The forecast movement on the reserve based on forecast capital receipts and the budgeted application of capital receipts to support the financing of the Authority's capital programme is

GENERAL RECEIPTS	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£001
Balance as at 1st April	3,400	3,630	8,144	14,001	14,766
Less: capital receipts used for financing	(1,014)	(575)	(559)	(559)	(559)
Less: capital receipts used for financing Monmouth, Caldicot and Welsh medium 21c school provision	(10,181)	0	0	0	0
Capital Receipts Received	602	0	0	0	0
	(7,194)	3,055	7,586	13,442	14,207
Capital receipts Forecast	10,660	4,925	6,251	1,160	160
Deferred capital receipts - General	4	4	4	4	4
- Morrisons	160	160	160	160	160
Less: capital receipts set aside:	0	0	0	0	0
Balance as at 31st March	**3,630**	**8,144**	**14,001**	**14,766**	**14,531**

LOW COST HOME OWNERSHIP AND HOMEFINDER RECEIPTS	2018/19	2019/20	2019/20	2021/22	2022/23
	£000	£000	£000	£000	£000
Balance as at 1st April	143	109	109	109	109
Less: capital receipts used for financing	(34)	0	0	0	0
	109	109	109	109	109
Capital receipts Received / Forecast	-	-	-	-	-
Balance as at 31st March	**109**	**109**	**109**	**109**	**109**
Total Receipts b/f	3,543	3,739	8,253	14,110	14,875
Total Receipts c/f	3,739	8,253	14,110	14,875	14,640

Capital Receipts Summary and Risk Factors

The analysis below provides a summary of the receipts and the respective risk factors:

Capital Receipts Risk Factor	2019/20	2020/21	2021/22	2022/23	Certainty of Completion
	£	£	£	£	%
Education Receipts					
Low / completed	0	0	0	0	0.0%
Medium	100,000	0	0	0	100.0%
High	0	0	0	0	0.0%
Total Education Receipts	100,000	0	0	0	100,000
County Farm Receipts					
Low / completed	0	0	0	0	0%
Medium	1,400,000	0	0	0	100%
High	0	0	0	0	0%
Total County Farm Receipts	1,400,000	0	0	0	1,400,000
General Receipts					
Low / completed	160,000	160,000	160,000	160,000	76.2%
Medium	200,000	0	0	0	23.8%
High	0	0	0	0	0.0%
Total General Receipts	360,000	160,000	160,000	160,000	840,000
Strategic Accommodation Review					
Low / completed	0	0	0	0	0.0%
Medium	0	0	0	0	0.0%
High	0	0	0	0	0.0%
Total Strategic Accommodation Receipts	0	0	0	0	-
Dependent on Outcome of LDP					
Low / completed	0	0	0	0	0.0%
Medium	3,065,000	6,091,200	1,000,000	0	100.0%
High	0	0	0	0	0.0%
Total LDP Receipts	3,065,000	6,091,200	1,000,000	0	10,156,200
TOTALS					
Low / completed	160,000	160,000	160,000	160,000	5.1%
Medium	4,765,000	6,091,200	1,000,000	0	94.9%
High	0	0	0	0	0.0%
Total Capital Receipts Forecasted / Received	**4,925,000**	**6,251,200**	**1,160,000**	**160,000**	**12,496,200**

Risk Factor key:

High - External factors affecting the potential sale that are out of Authority control
Medium - Possible risk elements attached but within Authority ability to control
Low - No major complications are forseen for the transaction

SUPPLIED SEPARATELY AS EXEMPT FROM PUBLIC PUBLICATION

CORPORATE PLAN (22 for 22)

The Council invests in future schools

Conclude comprehensive redevelopment of new secondary school with community leisure facilities in Monmouth
Commence Abergavenny school redevelopment
Develop 'Band C' proposals for the re-provision of secondary learning in the Chepstow area

The Council has a plan for raising standards in schools

Continue to raise standards in education including STEM subjects (science, technology, engineering and maths)
Ongoing focus on vulnerable learners
Convening school industry partnerships

The Council carries out a strategic education review

Implement the findings and recommendations of the independent Additional Learning Needs Review
Review of Catchment and Nearest School Policy
Review of Home to School Transport
Review and develop leadership structures across schools

The Council implements a model of early intervention and prevention for children and families

Integrate preventative children and family services within each locality into one prevention focused function
Provide services that meet mental health and emotional well-being including the Face2Face counselling scheme
Promote active lifestyles through activities such as The Daily Mile

The Council ensures permanent accommodation and support for looked after children

Work with regional partners to increase the numbers of children who are adopted in a timely way
Increase the number of Monmouthshire foster carers

The Council delivers on social justice, better prosperity and reducing inequality

Promote equality and diversity and ensure opportunities are genuinely available to all
Reduce child poverty and social isolation and improve economic inclusion
Advance social justice and well-being through Asset Based Community Development
Work with business to create and deliver a new strategy focused on increasing competitiveness, productivity and innovation
Develop incentives and support to encourage indigenous business growth and inward investment
Develop more employment opportunities for young people to reduce the numbers leaving the county
Ensure planning policies and land allocations for employment uses enable appropriate growth sectors.

The Council enables connected and caring communities supporting people to live independently

Maximise the opportunities for all people to live the lives they want to live and the positive outcomes they identify.
Co-produce our approaches to well-being, care and support
Develop opportunities for people to be involved in their local communities reducing isolation and loneliness
Improve opportunities for people with care and support to actively contribute through employment and volunteering

The Council develops and delivers a new enterprise and economy strategy

Work with business to create and deliver a new strategy focused on increasing competitiveness, productivity and innovation
Develop incentives and support to encourage indigenous business growth and inward investment
Develop more employment opportunities for young people to reduce the numbers leaving the county
Ensure planning policies and land allocations for employment uses enable appropriate growth sectors.

The Council maximises economic potential through delivering the Cardiff capital region city deal

Lead 'Innovation theme' and play a key governance role in the Cardiff Capital Region
Develop and deliver projects of regional significance including capitalizing on new Compound Semiconductor Foundry

The Council delivers better infrastructure connectivity & opportunity

Develop and deliver solutions to improve rural broadband
Develop a range of options to improve rural transport and better public transport linked to opportunities throughout the Cardiff Capital Region
Enhance the quality of local highways services
Identify to reduce the difference in pay between men and women in the county

The Council provides more opportunities for local living, working and leisure

Review the current Local Development Plan to ensure an appropriate supply of land for homes and businesses
Participate in and shape opportunities for regional strategic land-use development plans
Increase the volume, quality, variety and affordability of housing
Provide flexible support for business and tourism development

The Council unlocks economic value of its spending power

Review our procurement spend, improve analysis of expenditure and build local supply chains where possible
Reduce waste by committing to the principles of a 'circular economy'
Ensure we play an active part in national-led commissioning consortia

The Council boost leisure, recreation and wellbeing

Deliver a new pool and leisure facilities in Monmouth
Complete a business case on transfer of services to an Alternative Delivery Model
Improve well-being through Exercise Referral Scheme, Monmouthshire Games and Dragon Sports
Use section 106 funding strategically to develop local projects that maximise well-being

The Council enhances local heritage through community ownership and development of arts and cultural services

Implement Museums' Review
Submit Heritage Lottery Fund bids to enhance facilities in towns
Enable community-led arts and heritage presence in each of our five towns
Protection and enhance our built heritage

The Council develops and delivers a sustainable plan for enhancing the local environment

Improve how we deal with litter and fly-tipping
Minimise the amount of waste that is sent to landfill
Deliver Green Infrastructure Policy
Secure and deliver funds for projects including Living Levels, Agri-urban and Air Quality
Install real time air quality monitoring equipment in four schools

The Council keeps rural roads and areas safe

Work with speed safety professionals, schools and others to develop technical and 'nudge' policies aimed at speed reduction
Support for Community Speed Watch and community-led speed safety initiatives

The Council produces green and clean energy

Develop local renewable energy schemes including a 2nd solar farm
Reduce the carbon footprint of Council operations
Trial and test hydrogen vehicles through partnerships with organisations such as River Simple
Install battery charge points for electric vehicles in all towns

The Council enables better local services through supporting volunteering and social action

Ensure meaningful community engagement to understand the assets and priorities in each locality
Approve volunteering policy and support the Community Volunteering Academy
Extend the reach of Monmouthshire Made Open as a technology-enabled tool for promoting civic action

The Council enables good sustainable local services whilst delivering an excellent customer experience across all channels

Develop new business model for Community Hubs and Customer Care to increase access and provide a greater choice of channels for customers to engage with us (online, via the My Monmouthshire app, over the phone or face-to-face)
Increase the publication and use of open data to increase accountability and enable others to develop apps that have a civic benefit
Introduce Digital Service Standard

Council opens up democratic engagement and collective decision making

Re-shape our governance arrangements including more detailed options appraisals
Identify ways to get more people involved in local democracy and scrutiny to enhance local decision-making
Develop remote access and attendance at meetings to maximize participation
Revise all enabling strategies and plans – People, Digital and Customers, Assets and Economy and Enterprise
Review and consolidate working groups and arrangements
Revise performance and improvement plans and replace with 'real-time' data dashboards

The Council puts people at the heart of all it does and inspires excellence in workforce and employees

Deliver a sustainable and viable Medium Term Financial Plan
Strengthen decision making and accountability
Prioritise Health, Safety and workplace Well-being
Engage employees through personal development training and learning
Promote diversity and inclusion

The Council delivers a sustainable and resilient organisation and relevant, viable and valued public services

Deliver the Future Monmouthshire programme
Complete the move from task and time approach in social care to relationship-based care at home
Explore and embed new ways of working – Artificial Intelligence, automation and collaborative technology
Develop a commercial strategy and approach

Future Generations evaluation on the capital programme

Future Generations Evaluation

(includes Equalities and Sustainability Impact Assessments)

Name of the Officer completing the evaluation Mark Howcroft **Phone no:01633 644740** **E-mail:markhowcroft@monmouthshire.gov.uk**	**Please give a brief description of the aims of the proposal** Present capital budget proposals for consultation and evaluate preparedness of operational practice being consistent with new capital Strategy requirements
Name of Service Whole authority	**Date Future Generations Evaluation** form completed 03/12/18

1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	Local resources will be engaged to deliver the projects in the programme	
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)		
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	Proposals include maintaining core disabled facilities grant capacity	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	Investment in Future schools provides a key community facility to help promote this goal	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing		
A Wales of vibrant culture and thriving Welsh language		

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation		
A more equal Wales People can fulfil their potential no matter what their background or circumstances		

2. How has your proposal embedded and prioritised the sustainable governance principles in its development?

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
Long-term Balancing short term need with long term and planning for the future	Building Future schools will benefit children and communities for future generations. Maintaining assets adequately will assist in their use longer term.	
Collaboration Working together with other partners to deliver objectives		

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
Involvement Involving those with an interest and seeking their views	The aim of the report is to present proposals for consultation with key stakeholders	
Prevention Putting resources into preventing problems occurring or getting worse		
Integration Positively impacting on people, economy and environment and trying to benefit all three	Investment in Future Schools will positively impact on the teaching environment. SC106 projects are designed to positively impact particular community groups, localities and built environment.	

3. **Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	**Describe any positive impacts your proposal has on the protected characteristic**	**Describe any negative impacts your proposal has on the protected characteristic**	**What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?**
Age			
Disability	DDA and DFG budgets have been maintained		
Gender reassignment			
Marriage or civil partnership			
Race			
Religion or Belief			
Sex			
Sexual Orientation			
Welsh Language			

4. **Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities?** For more information please see the guidance http://hub/corporatedocs/Democratic%20Services/Safeguarding%20Guidance.docx and for more on Monmouthshire's Corporate Parenting Strategy see http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	**Describe any negative impacts your proposal has on safeguarding and corporate parenting**	**What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?**
Safeguarding	Safeguarding is taken into account in the design of the new schools		
Corporate Parenting			

5. **What evidence and data has informed the development of your proposal?**

Consideration of relevant legislation. An understanding of capital repair priorities volunteered by service managers. Consideration of corporate plan, and other strategic planning documents. An analysis of common/traditional cap expenditure items to derive a proposed priority ranking for evaluating relative merits of differing projects.

6. **SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

Capital budgets which impact on individuals, such as DFGs and DDA works are being maintained at existing levels. The investment in future schools is expected to have a benefit for children and communities for future generations. The proposed investment in Severn View Residential home is anticipated to provide a more beneficial service for vulnerable sector of community

7. **Actions. As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.**

What are you going to do	When are you going to do it?	Who is responsible	Progress

8. **Monitoring: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.**

The impacts of this proposal will be evaluated on:	**Annually when the capital MTFP is reviewed**

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