CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN

2015 TO 2020

INTRODUCTION

The Council's capital strategy and assets are fundamental to the effective delivery of the priorities identified in our Improvement Plan. The provision of the right asset in the right place at the right time will ensure the effective and efficient delivery of a comprehensive range of quality services.

The unprecedented financial constraints, which all Local Authorities and other public sector partners are experiencing means that we have to be ever more efficient in the use of our resources. This involves developing a culture of innovation and co-operation. We have made significant progress already and the benefits of sharing assets and working in partnership are clear to see. We have demonstrated that a reduction in the running costs of our assets and the provision of enhanced customer service is achievable and we will continue to develop this approach. Ultimately our aim is to use fewer buildings but use these far more efficiently.

This document sets out an integrated plan for the future management of the Council's assets and its capital programme. It facilitates a seamless interface between business planning within the Council and the management of our assets and capital resources. This will ensure that the provision of resources and future investment are prioritised. It is a key document running alongside the Council's Improvement Plan and Medium Term Financial Strategy (MTFS) and will provide the framework for ensuring the effective and affordable management of our assets.

Key Aims

- Provide a clear context within which proposals for capital expenditure are evaluated to ensure all capital investment is targeted to deliver the Council's priorities as set out in the Improvement Plan.
- Sets out how the Council identifies and prioritises capital requirements and proposals arising from various strategies including Improvement Plan, Portfolio Business Plans, and other corporate strategies will be managed within the limited capital resources available.
- Critically challenge our current estate, continue with the programme of asset rationalisation, ensuring that assets retained are effective, efficient and sustainable to deliver services.
- Identify and consider options available to fund capital expenditure that minimises the ongoing revenue implications of historic capital expenditure and of any new investments.
- Use partnerships, both public and private, more effectively to support our overall strategy.
- Establish effective arrangements for managing capital projects including assessment of outcomes and achievement of value for money.

Principles

- Set a capital programme for the medium term split into 3 sections; a reduced core programme of schemes that are regulatory / statutory in nature, a retained asset programme to improve or enhance the life of existing assets, and a larger investment programme in schemes linked to the Council's strategic priorities.
- Schemes included in our investment programme will be subject to completion of a business case to include a thorough appraisal of options and sensitivity analysis, with the schemes that generate efficiencies for the MTFS being favoured.
- Whole life analysis and using Net Present Value (NPV) calculations will be applied to schemes in the investment programme linked through to the MTFS.
- With Capital and Revenue resources under pressure innovative and creative solutions to procuring capital assets will be sought.
- Assets surplus to requirements will be disposed of when appropriate in order to generate the maximum capital receipt for the Council.

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The Here and Now

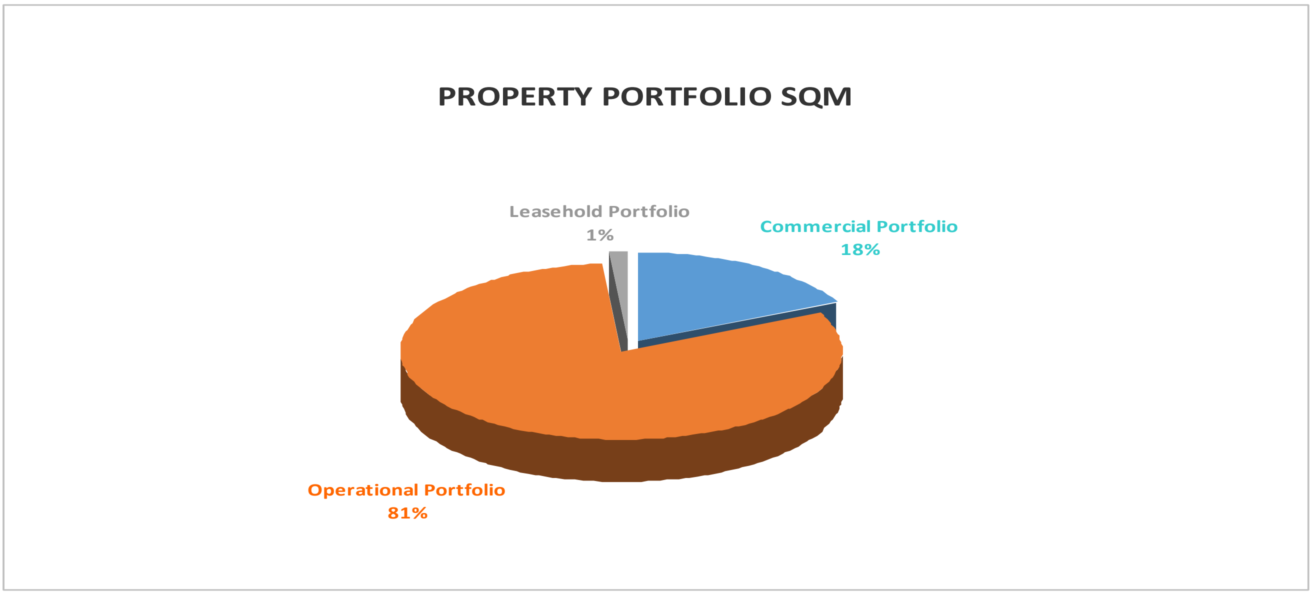
Local Authority property and land assets are a significant resource for Flintshire County Council the current book value is circa £760m. Our current estate comprises over 1,500 property assets and parcels of land throughout the County, we are therefore a significant landowner on this basis alone. The majority of our freehold assets are used directly in the delivery of Council services, these operational assets form 81% our estate. In addition to this the Council currently owns 169 commercial industrial units and shops, also 29 farms and smallholdings which are leased.

Many of our significant assets are broadly in the same locations delivering different but often complimentary services. This is not logical nor is it cost effective, we have to change this model of delivery.

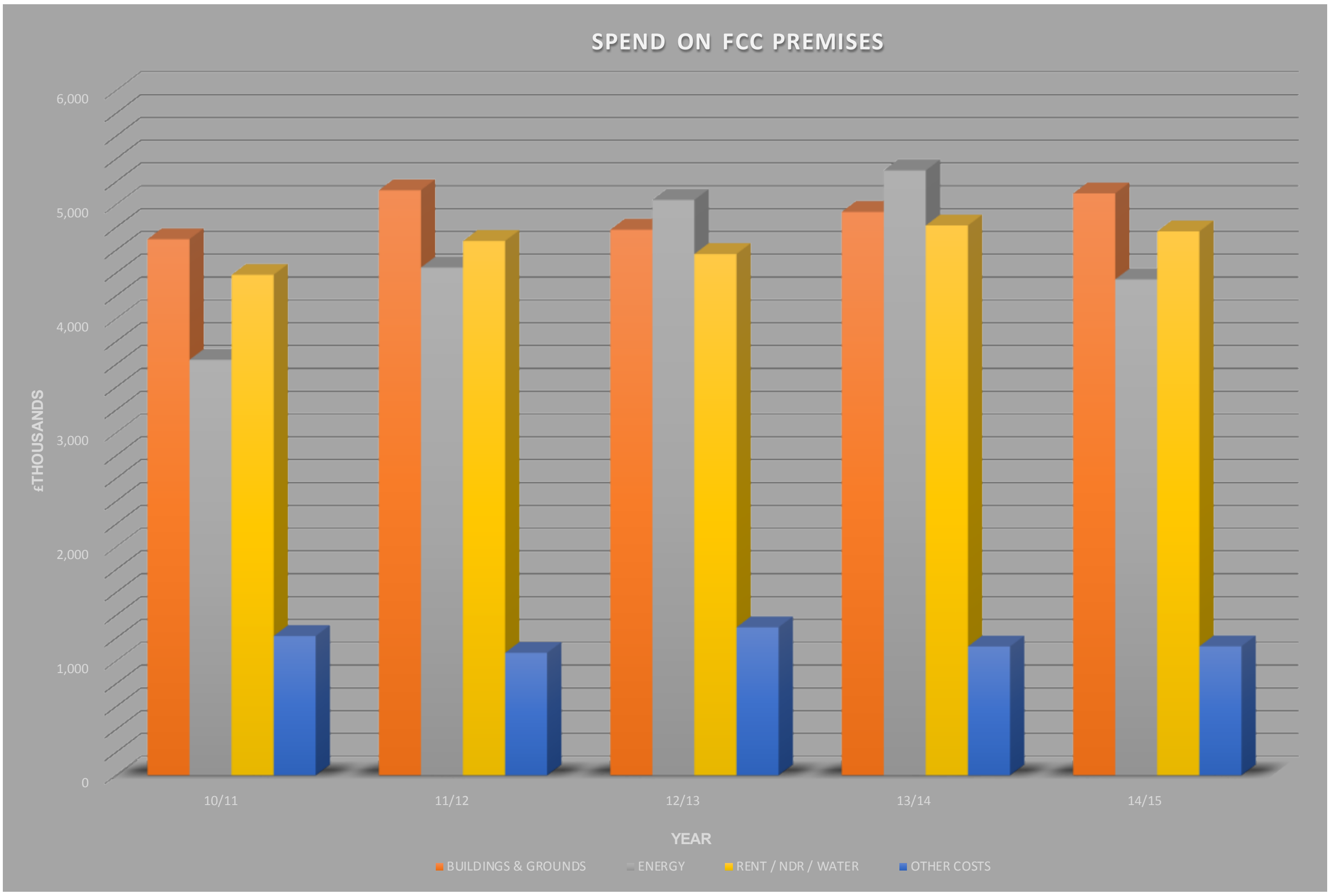
The Council's assets can be broadly classified as Operational or Non-Operational. Operational assets are those which are used either indirectly or directly to provide Council services such as schools, offices, libraries, leisure centres etc.

Non-Operational properties are those which the Council own and don't occupy but lease out in order to derive an income such as County Farms, Industrial Unit and shops.

The Council owns the freehold of the majority of its assets but, in very limited cases, has had to lease in some properties to maintain service delivery. The number of these leasehold properties has been significantly reduced in recent years.



Many of our assets are tired with ever increasing maintenance liabilities and are energy hungry. They are putting significant strain on our resources. The graph below shows the running costs of our assets over the past 5 years. The ongoing nature of these costs is unsustainable, the diversion of revenue and capital resources into these, often poorly performing, assets creates an additional burden and limits opportunities to invest this resource in front line service delivery.



Estate Rationalisation – what we have done so far:

- Agricultural estate review, disposing of farms and land in line with the Councils agricultural disposal policy.

- Reduction in the number of properties let by 80% saving the council over £200,000 per year.

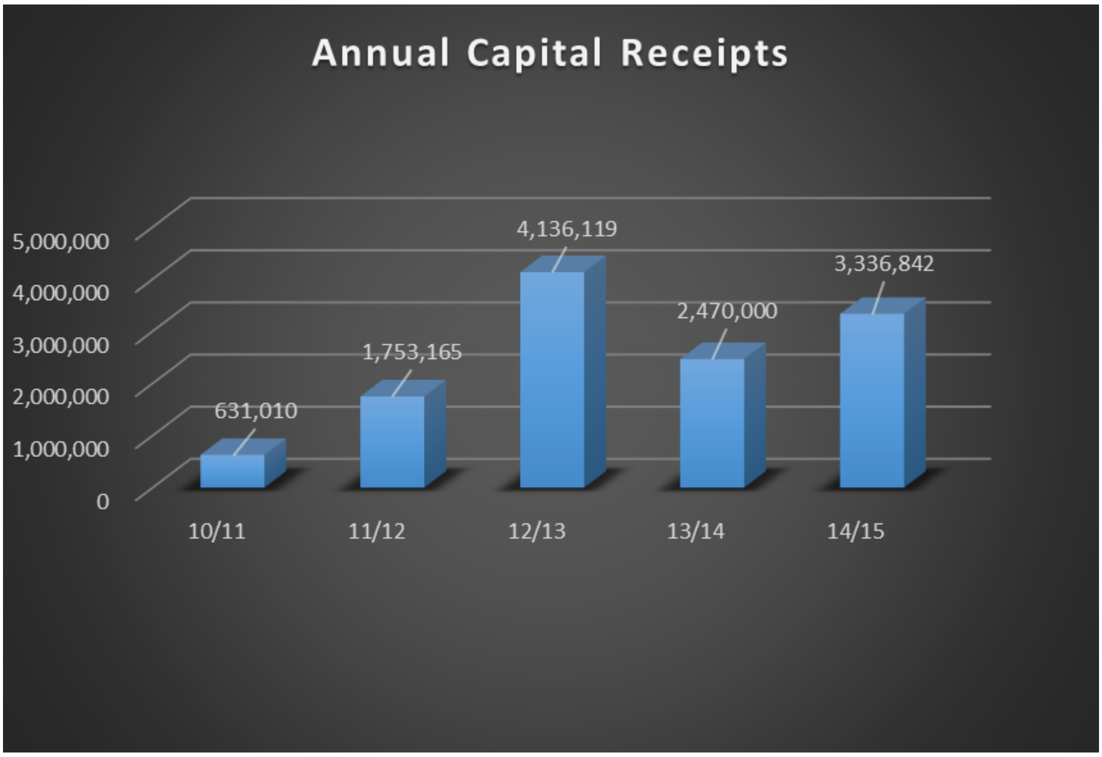
- Reduction in occupation of other operational assets (excluding schools) by 5% (based on floor area).

- In our Flint office we have developed a Connects facility where we have shared 16% of our office space with partner organisations. This has resulted in efficiencies for all. Despite this reduction in office space the Council has increased the number of staff based there by 80%. This has been achieved by increasing the number of workstations together with the adoption of agile working. This has resulted in a reduction in the running cost per member of staff by 58% (from £1122 to £469 per head)

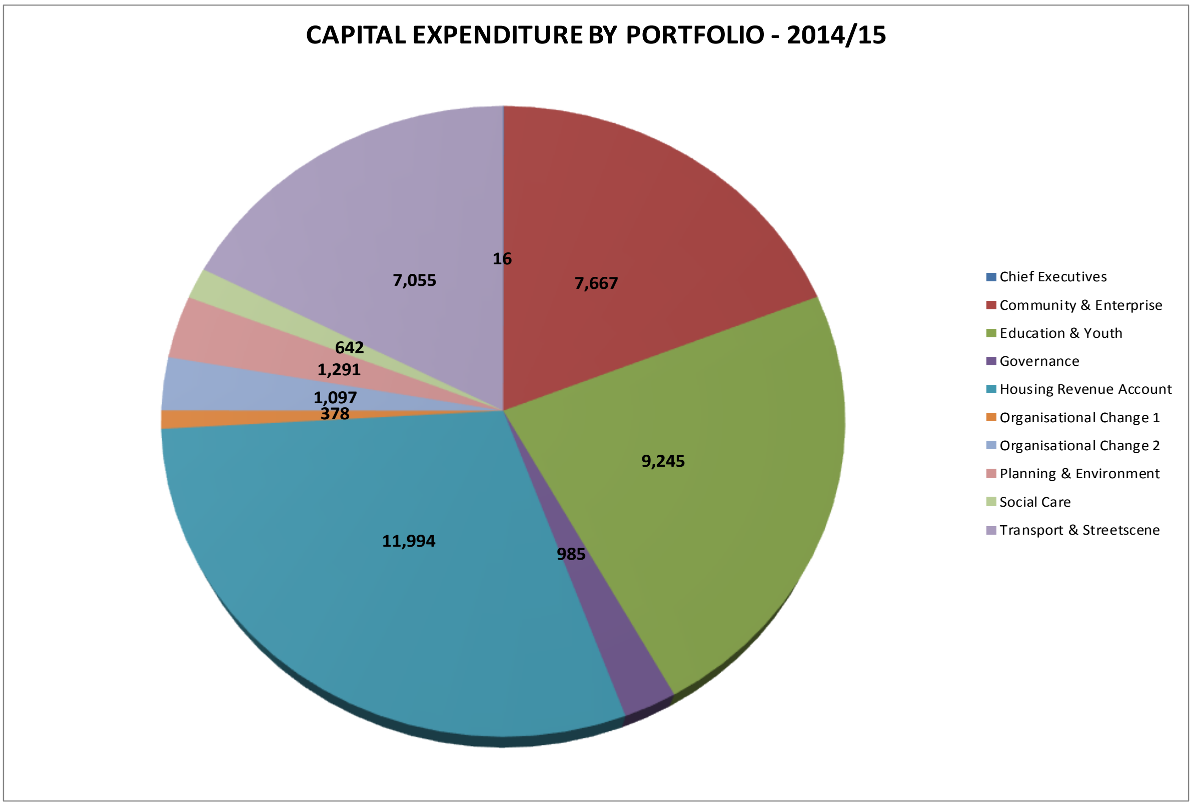
- Energy use from non domestic buildings such as schools, leisure centres and offices has fallen by 3,824,876 kWh / 1,134 tonnes of carbon from 2011 to 2015, achieved through a variety of energy efficiency measures including the installation of new and more efficient lighting, upgrading heating and hot water controls, loft and cavity wall insulation, pipework and valve insulation and pool covers.

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

Capital Receipts:
Our assets provide a valuable source of income to our capital programme via the sale of surplus land and property which has resulted in capital receipts of £11.64m over the last four years. Our disposal programme will continue to contribute toward this income in the future.



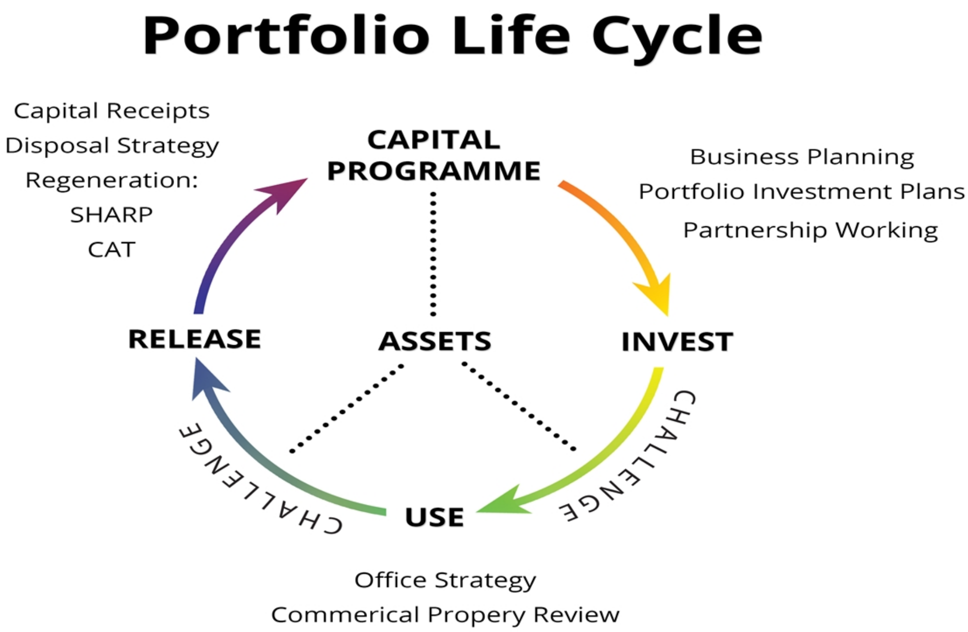
Current capital programme:
The Council's 2015/16 capital programme in total is £50,359m Council Fund and £21,200m HRA. The graph below shows the projects funded.



The Future – A Vision for our Assets

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

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



Business Planning: a dynamic approach

In relation to budget challenges and the achievement of our asset vision we will ensure that the Council's land and property assets play a pivotal role in the delivery of change and adopt a more dynamic approach to supporting organisational change.

We know that our buildings can be a catalyst for change. We have demonstrated what we can achieve in our offices at Flint and how major improvements can be delivered by re-inventing how we use our assets and workspace, sharing with partners and implementing different ways of working. Over the next five years there will be further significant changes required within the organisation. These changes will need to happen in a short time frame and we need to be able to respond to these changing needs and must be able to respond to this changing landscape quickly using innovative approaches that we have already developed**.**

Robust links with Portfolio business planning needs to be further developed. We need to identify as early as possible within the business planning process any capital and/or asset implications so that we can be more responsive.

Chief Officers as part of business planning at Portfolio level will include medium term capital and asset requirements – this will provide a clear link mapping out and supporting strategic thinking and identifying specific areas where there will be capital requirements or asset related issues to consider. The process for consideration of capital allocation is detailed below, including capital and asset implications in Portfolio business plans will involve services giving much earlier consideration to their requirements which can then be considered on a Council wide priority basis, clearly linked to portfolio business plans, the improvement plan and other strategic plans over a medium term time frame.

Links to the Medium Term Financial Strategy (MTFS)

The MTFS forecasts funding levels and resource requirements over the medium term, identifies the gap between the two, and enables specific actions to be identified to balance the budget and manage resources.

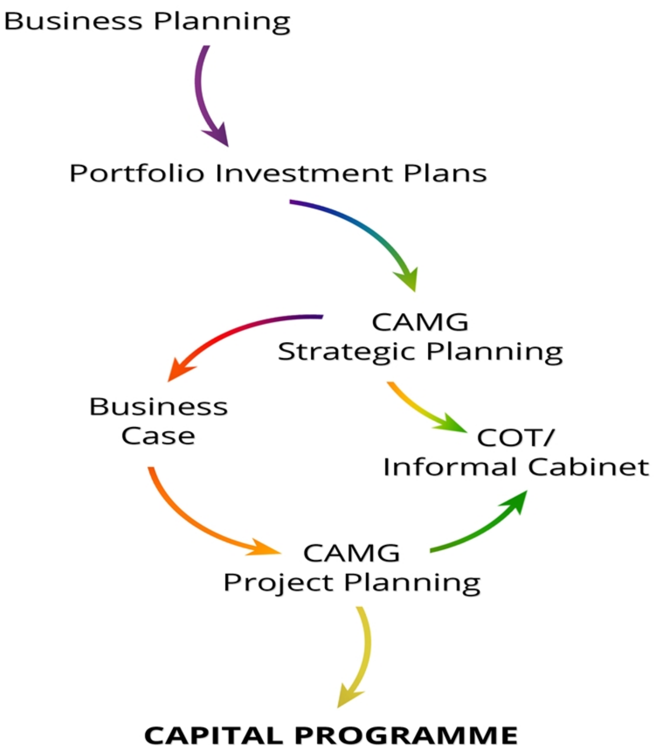
Any asset investment plan that results in a capital project will have consequences for the revenue budget, both positive and negative. These may be savings to running costs, schemes that generate income or resultant revenue costs of servicing any borrowing associated with the scheme. It is therefore essential that the capital and revenue budget cycles are aligned to ensure that these revenue implications are properly costed and fed into our MTFS.

Asset Programme Board

The Asset Programme Board comprises a group of senior officers from each Chief Officer portfolio who have an interest, proactive approach and enthusiasm around the development and management of work streams relating to the councils capital programme and wider asset base. The Board will manage and oversee the following activities:-

- Capital Receipt Planning (manage the delivery of capital receipts to maximise resources for the capital programme);
- Capital programme forward planning (to provide a forward look and anticipate likely work items for future capital programmes and to understand the potential revenue implications)
- Principal capital programme management (to ensure key principal programme items run to plan and deliver the Councils Core Programme and other agreed programmes of work – Portfolio Business Planning and Investment Plans);
- Consider reports to Cabinet, Council, or Scrutiny Committees regarding capital programme delivery;
- Capital and Asset Management Strategies (to develop and maintain the strategy ensuring strategic linkage into the MTFS);
- Public sector shared asset planning (develop partnership solutions to strategic asset delivery through shared resources);
- Estate depreciation planning and management (effective management of assets, retention, disposal strategies and plans)
- Section 106 planning agreement strategy and management and any other contributions to capital schemes
- Regeneration and market stimulation (consider proposals for wider regeneration, linkages to SHARP and the contribution the Councils land and property makes to this activity by acting as a catalyst or lever);

- Creative capital funding solutions (regularly explore opportunities for innovative funding solutions which reduce the burden of interest charges and revenue impact);
- Prepare reports for consideration relating to land disposals, acquisitions and lettings;
- Contribute proactively to the delivery of the Councils Community Asset Transfer strategy and where applicable Alternative Delivery model strategies



nb this diagram will change to reflect Asset Programme Board

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

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

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

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

- **Housing: Appropriate and Affordable Homes that are Modern, Efficient and Adapted (as necessary to maintain independence)**

The local population of Flintshire has diverse housing and accommodation needs. The Welsh Government has set a target for all social housing to meet the Welsh Housing Quality Standard. Our priorities are to provide good quality housing for residents, reduce the number of empty properties, and maximise funding opportunities to improve homes. Demand for extra care schemes which provide self-contained homes for people with varying levels of care and support needs are increasing following the success of existing schemes.

The Council aims to improve the choice and quality of local housing by:-

- Increasing the supply of new Council and affordable homes through the Strategic Housing and Regeneration Programme (SHARP) to build 500 new homes over the next 5 years
- Delivering the six year asset management strategy to meet the Welsh Housing Quality Standard across all Flintshire Council Homes.
- Using Section 106 planning agreements and the Community Infrastructure Levy (CIL) to increase the supply of affordable homes in the County.
- Contribute to the provision of extra care facilities in Flint and Holywell (in association with partners).
- Providing financial support to repair, improve and adapt private sector homes (in conjunction with grant funding from Welsh Government)
- Bringing empty homes back into use for residential living using the Houses into Homes Scheme – a Welsh Government backed scheme to provide loans to bring back empty houses or commercial buildings back into use as homes for sale or rent.

- **Economy and Enterprise: Town and Rural Regeneration**

The provision of sustainable infrastructure supports the local and regional economy. The commercial viability of our town centres and rural areas must be protected, along with the vitality of town centres as centres for economic activity and social contact.

Flintshire has a challenging agenda for regeneration which is being undertaken in a number of towns and areas assisted by the Vibrant and Viable Places initiative and the Regeneration Zone area allocations. The unemployment rate in Flintshire is currently low at 2.6% and the Council remains committed to ensuring that the County remains a preferred location to invest, live and work.

An Investment Zone has been established in Deeside which will be an increasingly important centre of additional commercial focus in the area.

The Council aims to create jobs and grow the local economy by;

- Developing and implementing long-term regeneration plans for town centres through projects including streetscape improvements and the Flint regeneration programme.
- Implementing the Vibrant and Viable Places programme to deliver an integrated programme of regeneration for Deeside, which will include redevelopment of vacant sites and properties and the provision of grant assistance to high street businesses.

- **Skills and Learning: Modernised and High Performing Education**

The Schools Modernisation Strategy was updated and approved by Cabinet January 2015.
The Council has a responsibility to review and modernise all school provision, to make sure that we are providing the best possible opportunities for learners, so that they can achieve their full potential.

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

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

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

There are serious shortcomings in the current suitability of a number of buildings, including pressing health and safety issues that question the long term viability of some of our existing schools. In terms of the condition of our school stock, the current backlog of repairs and maintenance remains high at £25.6m. (2015). School organisational change remains the key tool available to Council to address such deficits.

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

School modernisation options will drive an investment strategy that will address the needs of the schools. This is evident in the Councils Band A modernisation programme with a £64m school investment programme planned between 2014 and 2017. The Welsh Government has indicated that they intend to roll out Band B of the programme from 2019 onwards. It is expected that Welsh Government will provide further information in the next twelve months on securing the next phase of the investment.

The Council will develop its strategies to ensure that we are maximising the potential investment opportunities that may be available via Welsh Government funding. The Welsh Government funding criteria for 21st Century schools will only potentially fund modernisation projects; refurbishment or maintenance projects are not eligible for grant via this programme.
The Council aims to improve learning provision and opportunities to achieve better learner outcomes through its modernisation programme by:

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

- **Environment: Transport Infrastructure and Services**

The Council has a statutory duty to maintain the adopted highway, maintained at public expense in a safe condition for the passage of the user. A strategic approach has been used to develop the Highways Asset Management Plan (HAMP) in identifying and allocating resources for the management, operation, preservation and enhancement of the highway infrastructure to meet the needs of current and future customers. Current gross replacement cost of these assets are £1.6bn.

An Annual Status and Options Report is produced that summarises the status of the main asset groups in terms of condition, compliance with meeting repair standards, level of public complaint/contact etc. The report describes the result of the previous year's investment in terms of meeting the target service standards, enabling the Council to determine if the standards in the HAMP are being met or not. This report also sets out future options available, including long term (20 year) predictions of defect levels, condition and other relevant data in sufficient detail to enable future investment plans and any necessary revisions to service standards contained in the HAMP.

Accessibility to and from employment, homes, leisure, health and social activity must be maintained. Economic growth needs to be facilitated. Congestion and delays on our highway network should be minimised. The Council aim to deliver safe access to employment, local services and facilities by;

- Using available funding to support Council priorities for accessing employment, health, leisure and education, and improve road safety on the county's highway network.

- Prioritising the Council's road infrastructure for repairs and maintenance and implement network improvement programmes.

➢ **Environment: Sustainable Development & Environmental Management**

Our carbon emissions need to continue to reduce to meet Welsh Government targets and play a part in helping to address the consequences of climate change. Reducing the Council's energy costs will assist in addressing the deficit in the MTFS. The Council aims to establish environmental development which maximises social and economic benefits by:

- Identifying and developing large scale renewable energy schemes through the creation of solar farms on Council land and reducing the Council's carbon emissions.

➢ **Modern and Efficient Council: Developing Communities**

New approaches need to be developed in community and social sectors to the design and ways services are delivered, known as Alternative Delivery Models (ADMs), to sustain important services and meet future needs.

Our assets are helping community organisations to develop and become more sustainable by putting them on a firmer footing for the future. We have developed a Community Asset Transfer programme (CATs) where we have actively sought interest from community groups with a social purpose in having assets transferred to them on a long term lease basis for the benefit of local communities.

We have had a number of successes already and will continue to develop this programme and provide help and support to organisations which want to move in this direction.

The Council aims to support local communities to become more resilient by:

- Designing and implementing alternative delivery models to sustain important services to meet future need.
- Empowering communities to run and manage facilities in their locality through Community Asset Transfers.

➢ **Modern and Efficient Council: Improving Resource Management**

Despite the reductions to public sector resources and funding, the Council continues to be ambitious and has prioritised making the best use of our capability and capacity in these challenging times. Smarter purchasing needs to be used to make our money go further, we need to have the right buildings in the right paces for the right use, and we aim to achieve the highest possible standards of customer services.

Reviewing our estate: rationalisation and reduction of running costs
We will reduce the number of assets we have. We have already achieved our target of a reduction of 5% of operational assets (excluding schools and offices) by 2016/17. We will seek to reduce this by a further 5%. This will be achieved by constantly challenging the retention of assets. We will target poorly performing assets and those where service delivery can be maintained by sharing and/or using remaining assets more efficiently. We will seek to eliminate any duplication in the function of our assets.

Corporate Office Accommodation
Our corporate offices are located in Flint and Mold with our depot and associated offices in Alltami. Our current office strategy sees the retention and increased use of Flint offices, together with our Connects facility this will form a hub for Housing and some Social Care services providing improved accessibility to key services.

The re-development of our depot in Alltami facilitated the co-location of the majority of Streetscene and Transportation teams. This modernisation work has resulted in both enhanced facilities for staff and operational efficiencies in the delivery of these services. We will ensure that by the end of 2015 all remaining Streetcsene and Transportation staff will be relocated to Alltami.

We shall retain County Hall in Mold in the short to medium term as our main headquarter building. This property is coming to the end of its economic life with repair works estimated at £26m. With the increasing implementation of agile working together with workforce reduction, it is and will increasingly be far too large for our needs. Initially we will consolidate our occupation into Phases 1 and 2, mothballing the rear section of the building (phases 3 and 4) and therefore making savings on running costs.
We will continue to modernise the way we work and develop agile working throughout our offices. We will build on the success in our Flint office where a modern and flexible approach to working patterns has facilitated an 80% increase in staff located there. We will continue to engage with teams to progress agility and understand the further investment required including ICT systems and hardware to deliver a contemporary and efficient office accommodation model.

Overall we will reduce the floor space we occupy in our offices by a minimum of 30% by 2017.

Industrial Commercial Estate
The Council owns a large number of industrial commercial units dispersed along the coastal strip and our larger towns including Mold and Buckley. The units vary in size from large warehouses to much smaller business incubator units. They are in varying conditions but some will inevitably, given their age, require significant investment if they are to remain in the Council's ownership.

The origin of our commercial estate stems from the decline of the steel industry, since this time the industrial economics of the area has shifted and Deeside Industrial Park now accommodates a large proportion of demand from both local and national interest. There are also legislative changes in connection with energy efficiency measures which will add further costs and disproportionate financial pressure on this portfolio. Bearing all these factors in mind our rationale for continuing to hold such assets must be reviewed.

Opportunities may present themselves in terms of potential redevelopment of some of the core sites which predominantly border England, however this strategy needs developing in more detail. Some sites may be suitable for meeting housing needs and could possibly feed into our Social Housing and Regeneration Programme (SHARP), alternatively we may seek to transfer liability altogether and receive a much reduced income from a managing organisation.

The imperative is that a root and branch review be undertaken which robustly challenges the reasons for continuing to hold this estate in the future. This review is to be completed in early 2016 and from this a detailed plan will be developed which will determine the outcome for each asset.

Longer term, further options will be explored relating to the future use of offices at Ewloe which will be returned to the Council in 2016. The proposed reorganisation of local government in Wales will be a further factor to consider in any future strategy.

Agricultural Estate
The County Council has a smallholding estate we have been gradually reducing through a variety of disposals. A small number of piecemeal disposals were undertaken previously. However in 2011 following a fundamental review looking at the liabilities for the estate against income it became clear major changes and disposals were essential. Two fundamental issues drove this approach. Nitrate Vulnerable Zones (NVZs) which affect a number of our holdings meaning the Council would have to make major investment and expenditure on a peripheral activity. Secondly the authority had no manageable cluster of farms enabling a coherent farmer tenant enabled asset strategy.

As a result we have sold vacant holdings on the market and other holdings to the sitting tenants. These negotiations can be quite protracted but help receipt planning. We have also sold vacant land quite successfully through careful disposal. The ongoing sale of the holdings continues and in each of the last few years we have generated capital receipts of several million pounds by this route alone. For the longer term we are looking at planning opportunities which will see the value of some of our purposely retained assets substantially increase.

Clwyd Theatre Cymru
PARA ON CTC TO BE INSERTED

Working with Partners
In recent years we have developed a progressive approach to sharing accommodation and integrating services with other public sector organisations. We have contributed to efficiencies within the public estate by sharing accommodation with partners such as North Wales Police, Jobcentre Plus and Communities First at our Flintshire Connects centres in Holywell and Flint, .

With our partners, we will continue to identify opportunities to optimise the use of the public sector estate in terms of service benefits, overall costs and financial return. In doing so, there will be an opportunity to explore innovative ways of using our land and property assets and how they can be used to aid service development and integration.

ICT
The Information Technology Strategy is in the process of being updated and will be finalised in autumn 2015. Its focus will remain in terms of detailing how we can apply and develop Information Technology (IT) in Flintshire to support the delivery of Corporate and Service objectives and priorities, enable change and drive forward improvement.

The Council has developed a secure, resilient, reliable and high performing IT infrastructure which provides us with the foundations to deliver real benefits for our services and our customers, the citizens of Flintshire. However, the extremely rapid pace of change and development in terms of IT means we have to constantly identify opportunities for further improvements.

The service has been engaged with the corporate change programme since its inception and as such have been able to target investments and resources to best meet the priorities identified through the various work streams within it. The Assets programme, in particular, has influenced this prioritisation with major investments in technologies to support agile working such as; Virtual Desktop Infrastructure (VDI), Telephony and Contact Centre technologies, Mobile Device provisioning and management, Electronic Document Management (EDM), Wireless technologies etc.

The Council aims to support frontline services efficiently and effectively by:

- Rationalising the Council's use of corporate accommodation by reducing floor space occupied by office accommodation thus reducing costs and increasing the number / percentage of employees who work in an agile way.
- Develop options for main Council Offices including a review of the County Hall campus
- Review and develop options for the industrial commercial estate
- Extending and improving customer access to Council information and service using technology and our Flintshire Connects Centres.
- Developing and delivering our ICT strategy.

Social Services

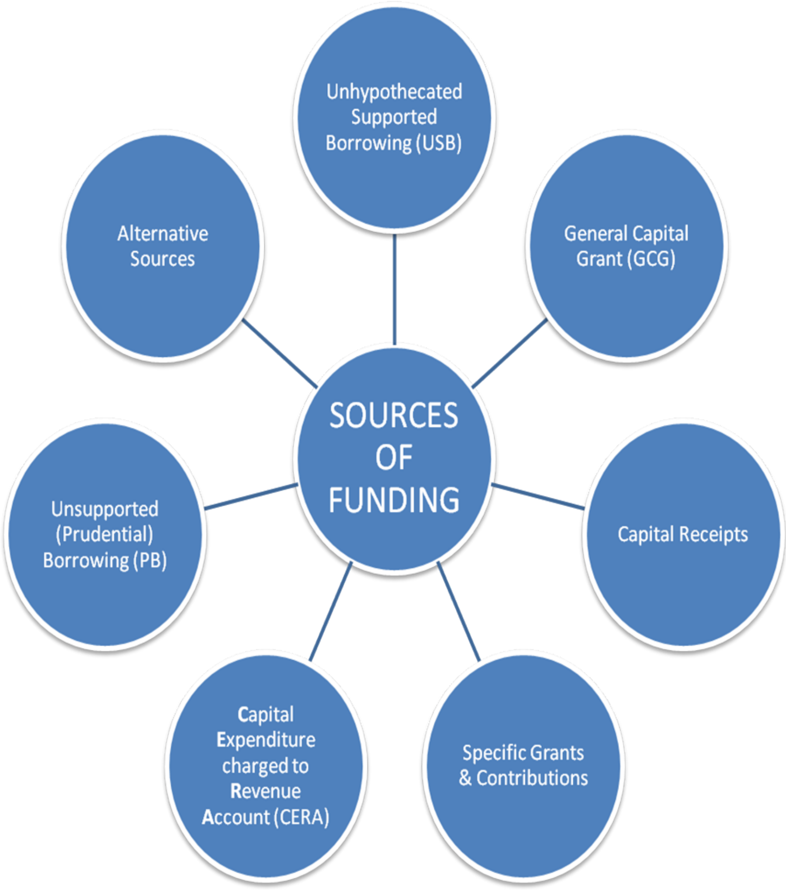
The Council has a number of assets within the social service portfolio, including three Residential Care Homes for older people, six small business premises and a day service for people with learning disabilities. The Council has a duty under the Care Social Service Inspectorate for Wales (CSSIW) legislation to ensure these premises are well maintained and in safe condition.

- The three care homes are currently in a reasonability good condition and do not require significant capital investment at present. However such environments can deteriorate through continued 24 hours usage by individual with high level care and support needs and need to be suitably maintained.

- The six small business premises - all form part of the Council's Alternative Delivery Model programme (ADM), and it is anticipated that the premises will transfer o a Social Enterprise during 2016/17

- Glanrafon Day Centre Deeside. The current building isn't suitable to deliver a service of quality efficiently, and to keep the existing building would require significant capital investment. Options are being developed for consideration.

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



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

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

General Capital Grant

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

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

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

Specific Grants

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

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

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

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

Capital Expenditure charged to Revenue Account (CERA)
Capital expenditure can be funded via a direct contribution from revenue funding (note capital financing regulations mean is it not possible to use capital funding to fund revenue expenditure). This method of funding is extensively used by the HRA and will continue to be in the future. Its use for Council Fund activity is generally quite limited as this would add to forecast budget deficit on the MTFS.

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

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

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

Generation of capital receipts depends on our ability to identify assets that are surplus to requirements, and to sell them at an appropriate time which will be subject to local economic factors. In recent years this has been challenging. Careful and prudent planning around the timing of capital receipts is needed to ensure schemes funded by capital receipts don't begin until we have received the receipt.

Over the next 5 years capital receipts will be generated by continuing with our agricultural disposal policy, our policy to reduce the number of assets that we have and the forthcoming review of the commercial estate.

Our assets are also supporting the Strategic Housing and Regeneration Programme (SHARP) in innovative ways; we have identified surplus Council owned sites which will be used to develop new housing. This input will need to continue throughout the life of the programme. The impact of which, on the generation of capital receipts, will need to be carefully mapped and reflected within the wider Capital Programme.

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

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

To date limited use has been made of the option following cautious and prudent consideration of long term impacts. This approach will continue to be used with schemes that have a clear financial benefit such as 'invest to save', 'spend to earn', and those that generate returns over and above the costs of debt. The focus will be to fund schemes that are the Council's priorities, attract 3rd party funding and that generate revenue benefits in future financial years in the form of revenue savings, income generation or increasing Council Tax yield.

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

- Finance Leases - Leases that transfers substantially (to the lessee) all the risks and rewards of ownership of an asset, even though ownership may not be transferred. This method was used for the equipment at Deeside Leisure Centre and the Jade Jones Pavilion, Flint.

- Public Private Partnerships (PPPs) - This is a broad term for various arrangements in which the Council has a longer and more intensive relationship with a private sector supplier than it does under a traditional contract. It includes:-
    - PFI contracts;
    - Local Asset Backed Vehicles (LABVs);
    - Strategic partnering;
    - Sale and Lease back;
    - Joint Ventures; and
    - Deferred Purchase

To date the Council has made very limited use of alternative funding options listed above. In future all options along with any new initiatives will be explored and used carefully.

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

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

The purpose of the Capital Programme is to optimise the Council's use of capital resources by allocation to those areas identified as representing the strategic priorities of the Council. The next 5 years will see the Programme split into 3 sections;

- Statutory / Regulatory Programme consisting of an annual allocation to fund schemes of a statutory / regulatory nature. Examples include; providing financial support to repair, improve and adapt private sector homes, and adapting schools for disabled children. Service areas will be required to submit plans for approval before the start of each financial year.

- Retained Asset Programme consisting of an annual allocation to fund schemes that maintain, improve or lengthen the economic life of the assets that we retain to use in delivering services where there is already a significant amount of capital work needed, identified by service plans / condition surveys etc. Service areas identified are; schools, highways, and corporate office accommodation. Service areas will be required to submit plans for approval before the start of each financial year.

The above sections of the capital programme are similar to the current core programme but will be much reduced compared with the current expenditure levels.

- Investment Programme consisting of allocations to fund new schemes arising from Portfolio Business Plans. Such schemes will be necessary to achieve revenue efficiencies included within Portfolio Business Plans and the MTFS and our strategic priorities as included in the Improvement Plan. Approval of such schemes will be through the submission of a full business case identifying the source of capital funding and the assets lifetime costs going forward. See Appendix C – Business Case process.

Funding of schemes will be allocated as shown below:

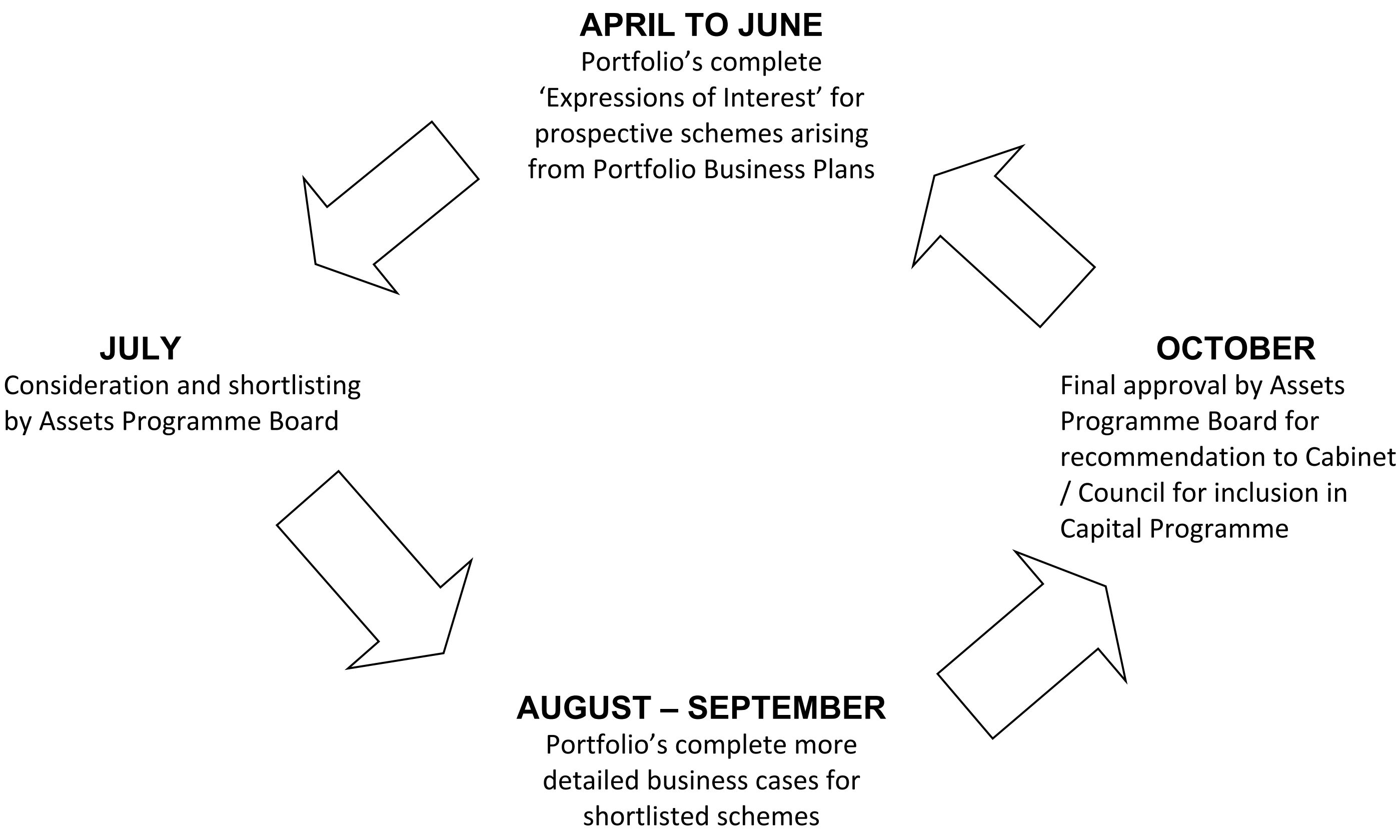
Statutory / Regulatory Programme	Retained Asset Programme	Investment Programme

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

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

Sufficient headroom will be built into the Capital Programme to facilitate more flexibility thus allowing smaller schemes to be presented, considered and approved by Cabinet in year. Such schemes arise in year due to; opportunities presenting such grants that require an element of match funding or unforeseen events such as regulatory works etc.

The annual timetable for setting the capital programme is as shown below:



GOVERNANCE of the Capital Programme

Planning for the Capital Programme is determined in parallel with service and revenue budget planning process within the framework of the MTFS.
New investment capital schemes will be rigorously appraised through submission of full business case which will include schemes funded by grants or contributions from 3rd parties. Large schemes that are programmes in their own right will be subject to gateway reviews at stages during the programme. For example: 21st century schools, SHARP. Ensuring that the evidence and the case for change when the scheme was initially approved is still valid, and that lessons learned from early stages can be applied to future stages.

Those portfolios with Core allocations will submit annual plans for assessment and challenge by the Assets Programme Board to ensure compliance with Capital Strategy and Asset Management Plan.

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

Monitoring of the annual Capital Programme will be undertaken at a Portfolio level with progress updates given to the Assets Programme Board. Reporting to Members will take place quarterly to Cabinet and Corporate Resources Overview and Scrutiny Committee including:

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

The Assets Programme Board will develop processes for monitoring the outcomes of capital schemes and measures to monitor the performance of assets.

APPENDICES

Appendix A: Capital allocation process via Business Case

Appendix B – Capital Project Handbook/Userguide

Appendix C: Glossary of Capital Terms