

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Monday, 28 February 2022</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Capital Strategy 2022/23 and Final Capital Proposals 2022/23 to 2026/27
Purpose of Report:	The purpose of this report is to set out final proposals for Cabinet members to consider, before making their recommendations to Council, in respect of the final capital budget for the financial year 2022/23 to 2026/27 and to consider the Capital Strategy for 2022/23
Report Owner:	<b>Report of the Executive Leader and Cabinet Member for Performance and Resources</b>
Responsible Officer:	<b>Carolyn Michael Interim Section 151 Officer</b>
Elected Member and Officer Consultation:	Scrutiny Committees and Corporate Management Team have been consulted on the initial budget proposals. External stakeholders were also consulted on the budget priorities
Policy Framework:	This report is following the procedure laid down in the Constitution for the making of the budget and needs to be referred to Council to make the final decision.
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The report provides the Council's Capital Strategy for 2022/23 at Appendix 1. The Capital Strategy provides a framework which outlines how capital expenditure, capital financing and treasury management activity contribute to the provision of corporate objectives, along with an overview of how associated risk is managed and the implications for future financial sustainability</li> <li>• The report sets out the Council's proposed Final Capital Programme for the period 2022/23 to 2026/27 at Appendix 2.</li> <li>• The total value of capital schemes over the next 5 years is £253.764m. This includes £43.230m for the Band B 21st Century Schools Programme and £142.602m for the Housing Improvement Programme.</li> <li>• Council funding of £2.3m for investment in highways during 2022/23 has been included in the Capital Programme.</li> </ul>	

## **Recommendations**

1. That Cabinet recommend to Council on 7th March, 2022 that the Capital Strategy 2022/23 as set out in Appendix 1 is approved.
2. That Cabinet recommend to Council that the final Capital Programme for the years 2022/23 to 2026/27 as set out in Appendix 2 is approved.
3. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, is given delegated authority to make additions, deletions or transfers to or from the 2022/23 to 2026/27 Housing Improvement Programme as appropriate.
4. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, is given delegated authority to make additions, deletions or transfers to or from the 2022/23 to 2026/27 Asset Renewal budgets as appropriate.
5. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, is given delegated authority to make additions, deletions or transfers to S106 funded schemes subject to Member consultation as required under the existing process.
6. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, is given delegated authority to make additions, deletions or transfers to or from Energy Management Schemes.
7. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, is given delegated authority to make additions, deletions or transfers to or from the Building Strong Communities Fund schemes.
8. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, is given delegated authority to make additions, deletions or transfers to or from the Sustainable Communities for Learning Band B programme (Previously 21st Century Schools schemes).
9. That Cabinet approve the reprofiling of the Housing Improvement Programme for the years 2022/23 to 2026/27 as shown in paragraph 2.51 of this report.
10. That the urgent decision procedure as set out in Section 14.14 of the Council's Constitution be used in order for the Capital Strategy 2022/23 and Final Capital Proposals 2022/23 to 2026/27 to be referred to full Council on 7th March, 2022.

## **Reasons for Recommendations**

1. To approve the Capital Strategy for 2022/23.
2. To set and approve future capital programmes to 2026/27.

3. To enable the Housing Capital budget to be managed effectively.
4. To enable the Asset Renewal budgets to be managed effectively.
5. To enable S106 schemes to be managed effectively.
6. To enable the Energy Management Schemes to be managed effectively.
7. To enable the Building Stronger Communities Fund to be managed effectively.
8. To enable the Sustainable Communities for Learning Band B programme to be managed effectively.
9. To reflect the work programme for the Housing Improvement Schemes.
10. To allow the Capital Strategy 2022/23 and Final Capital Proposals 2022/23 to 2026/27 to be referred to Council on 7th March, 2022.

## **1. Background**

### **Capital Strategy**

- 1.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.
- 1.2 CIPFA released an updated version of the Prudential Code in December 2017. The revised code includes a requirement for authorities to produce a Capital Strategy. To comply with the requirements, a Capital Strategy has been produced for 2022/23 and is attached at Appendix 1. The Strategy will also be submitted to full Council for approval.
- 1.3 CIPFA published revised codes of Practice on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year, which are required to be taken to Full Council for approval. The implications of the revised code are detailed in the Treasury Management Strategy on the same agenda to this report.
- 1.4 The Capital Strategy provides a framework which outlines how capital expenditure, capital financing and treasury management activity contribute to the provision of corporate objectives, along with an overview of how associated risk is managed and the implications for future financial sustainability. It therefore outlines the Council's need to acquire, dispose or enhance assets such as land, buildings, roads, vehicles & plant to provide sustainable service provision

to support its objectives. As resources available to meet the capital requirements of the Council are limited, the Strategy explains how priorities are set and outlines the sources of funding available, including the level of borrowing it will need and can afford to undertake and its investment strategy.

## **Capital Programme**

- 1.5** The Council has produced a detailed 5 year Capital Programme, with the proposed programme for 2022/23 to 2026/27 being included in Appendix 2.
- 1.6** When the initial proposals were considered by Cabinet on 22nd November 2021, minute C738, the Council had not received the provisional settlement from Welsh Government for 2022/23. The consequence of the late announcement was that a draft capital programme was not included in the initial proposals report. The report therefore detailed the requests for funding that had been received from Directorates and these bids were presented to Scrutiny Committees in December 2021 for comment.

In responding to the report, the following recommendations in relation to the requests for funding were made by the Scrutiny Committee's:-

Environment and Regeneration Scrutiny Committee held on 14th December 2021

- T H A T the Corporate Performance and Resources Committee considers the importance of prioritising capital bids within the area of Neighbourhood Services relating to statutory services such as Waste and Highway Maintenance, in order to reduce risk and improve public health and safety.

- T H A T the Corporate Performance and Resources Scrutiny Committee considers the recommendation of the Environment and Regeneration Scrutiny Committee for an ANPR car parking monitoring system to be introduced at Nells Point and Harbour Road car parks.

Healthy Living and Social Care Scrutiny Committee held on 7th December 2021

- T H A T a recommendation be passed to the Corporate Performance and Resources Scrutiny Committee that all Capital Bids for 2022/23, as set out in Appendix 2 to the report, be financially supported.

- 1.7** The recommendations of Scrutiny Committees were referred to the Corporate Performance and Resources Scrutiny Committee, which is the lead Scrutiny Committee for the budget. On 22nd December 2021 this Committee recommended that: -

- T H A T Cabinet be informed of the comments of the Committee on the Initial Capital Programme Proposals for 2022/23 to 2026/27.

-T H A T the Committee supported the emphasis placed on the importance of prioritising capital bids within the area of Neighbourhood Services relating to statutory services such as Waste and Highway Maintenance, as recommended by the Environment and Regeneration Scrutiny Committee in order to reduce risk and improve public health and safety.

-T H A T the Healthy Living and Social Care Scrutiny Committee recommendation as above regarding the report be noted.

- 1.8 The Budget Working Group (BWG) have had consideration for the recommendations of the Scrutiny Committees when preparing the 2022/23 capital programme.

## **2. Key Issues for Consideration**

### **Capital Strategy**

- 2.1 The Capital Strategy looks at a longer term view of the Council's capital investment requirements. This is the fourth year that the Capital Strategy has been produced in this format and it will be updated annually and will evolve over future years.
- 2.2 There are a number of factors that will influence the Council's priority areas of spend and its future capital investment. The Capital Strategy outlines the various Council strategies which identify the priority areas for capital investment and the external factors that result in the need to incur capital expenditure.
- 2.3 It is difficult to predict capital resources over a long term period as the level of general capital funding provided by Welsh Government is usually advised on a year by year basis and their priority areas of spend, which they influence by the provision of specific grants, will change over a period of time. Capital receipts are difficult to predict as while the Council will strive to maximise receipts where possible, the uncertainty in the current economic climate, particularly with regard to the impact of the COVID 19 pandemic and Britain's exit from the European Union, could have an impact on developments.
- 2.4 An initial assessment however has been undertaken to identify the possible requirements for capital investment over a longer period of 10 years and also the potential funding that is available to finance such work. The funding gap could be in the region of £12m over the period. This data is currently being reviewed and updated through condition surveys to provide a basis for future capital strategies.
- 2.5 Unsupported borrowing could be an option to bridge any funding gap however a full financial appraisal will need to be undertaken to ensure that the financial consequences are affordable and sustainable.

- 2.6** The Strategy confirms the importance of ensuring the efficient, effective and sustainable use of land and buildings to deliver fit for purpose property to support the Council's service delivery.
- 2.7** The Council's appetite for risk needs to be discussed as part of the Strategy. This Council has always been prudent with regard to its borrowing and does not take risks when investing, as the Treasury Management Strategy for 2022/23 sets out the council's intentions to place investment with the UK Government or other local authorities or AAA rated money market funds. £12m is being set aside for the Non Treasury Investment Strategy. The Council will ensure that all the organisation's investments of this nature are covered in the capital strategy, investment strategy or equivalent and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non treasury investments.
- 2.8** The Council is currently developing a Non Treasury Investment Strategy the proposals for which are included on this agenda and is intended to address opportunities identified in the Council's Recovery Strategy to support innovative business and economic regeneration, increase capital programme investment and focus on green jobs and green infrastructure. The Economic Regeneration and Growth Fund is to be funded using £2.2m of the Commercial Opportunities and Invest to Save Fund and with provision for up to £10m Prudential Borrowing. The fund for Investment totals £12m with £200k earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice
- 2.9** As part of the Strategy, confirmation of any material commercial activities needs to be detailed. On 1st January 2020, the Council set up a Local Authority Trading Company to deliver catering services called the Big Fresh Catering Company. The Council owns 100% of the company shares. This Council does not have any other material commercial activities.
- 2.10** In considering this Strategy the Council will need to undertake a number of actions in order to make the most of potential funding and to meet the requirement to invest in assets. These are detailed in Section 11 of the Strategy.

### **Capital Resources Available**

- 2.11** Details of the different sources of funding available to finance capital expenditure are outlined in section 3 of the Capital Strategy.
- 2.12** On 21st December 2021, the Welsh Government (WG) announced the provisional 2022/23 General Capital Funding (GCF) settlement which was £5.829m, being made up of £2.378m grant and £3.451m of supported borrowing. This is a decrease of £1.038m from the 2021/22 funding of £6.867m.

**2.13** Within the settlement it has been advised that General Capital Funding for 2022/23 for Wales as a whole will be set at £150 million. This will increase to £200m for the following two years, including £20m in each year to enable authorities to respond to the joint priority of decarbonisation. The 2023/24 and 2024/25 settlement figures provided in the table below have been estimated using the above data and adjusted to exclude the £20m for decarbonisation as this element may be in the form of a specific grant.

**2.14** As no further indication has been received from Welsh Government, it has been assumed that from 2025/26 onwards, the level of capital funding will revert back to the same level as set out in the 2022/23 Provisional Settlement and will then remain constant for the remainder of the period of this programme.

**2.15** On this basis, the following table represents the capital funding from the Welsh Government assumed as part of the 5 year programme.

<b>WG Funding</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Supported Borrowing General Fund	3,451	4,141	4,141	3,451	3,451
General Capital Grant	2,378	2,853	2,853	2,378	2,378
<b>TOTAL</b>	<b>5,829</b>	<b>6,994</b>	<b>6,994</b>	<b>5,829</b>	<b>5,829</b>

**2.16** Previously funding has been received for resurfacing via a Public Highways Refurbishment Grant. This is a road refurbishment programme which has in the past provided vital new investment for the Council's roads. On the 2nd February 2022 a letter was received from Welsh Government informing the Council that £70m of capital funding across Wales is being made available in 2021/22 to support authorities capital programmes, including impacts on highways. The terms and conditions allow the Council to carry forward the grant into 2022/23. The Council has allocated £1.3m internal funding and £1m from the additional capital monies within the 2022/23 Capital Programme giving a total budget of £2.3m for resurfacing.

**2.17** Another means of financing capital expenditure is through capital receipts resulting from the sale of assets. Receipts from the sale of Housing Revenue Account (HRA) assets can only be spent in the HRA and cannot be used to finance General Fund capital schemes.

**2.18** The Council has taken the decision to ringfence vehicle capital receipts for the vehicle replacement programme. Capital receipts would be utilised in the year that they are received to reduce the requirement to use reserves or unsupported borrowing.

**2.19** Projected use and income generated from the sale of assets for the next 5 years is shown in the following table.

<b>Capital Receipts</b>	<b>General</b>	<b>Ring-fenced Social Services</b>	<b>Ring-fenced Education</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Projected Balance as at 31st March 2022	6,557	1,339	918
Anticipated Requirements – 2022/23	-4,202	0	-918
Anticipated Receipts – 2022/23	0	0	0
Balance as at 31st March 2023	2,355	1,339	0
Anticipated Requirements – 2023/24	0	0	0
Anticipated Receipts – 2023/24	0	0	0
Balance as at 31st March 2024	2,355	1,339	0
Anticipated Requirements – 2024/25	0	0	0
Anticipated Receipts – 2024/25	0	0	0
Balance as at 31st March 2025	2,355	1,339	0
Anticipated Requirements – 2025/26	0	0	0
Anticipated Receipts – 2025/26	0	0	0
Balance as at 31st March 2026	2,355	1,339	0
Anticipated Requirements – 2026/27	0	0	-300
Anticipated Receipts – 2026/27	300	0	300
Balance as at 31st March 2027	2,655	1,339	0

- 2.20** Capital expenditure can also be funded by revenue contributions or the utilisation of existing reserves.
- 2.21** Schemes are also included in the programme that have funding under S106 planning obligations.
- 2.22** Outside of the above, the Council is heavily dependent on specific grant funding to supplement its own resources if certain capital schemes are to be progressed. It is estimated that over the next 5 years, the level of specific grant funding for General Fund capital schemes is approximately £26.481m which is around £4.994m less than the level of General Capital Funding for the same period (£31.475m). The grants include the Sustainable Communities for Learning programme (previously called 21st Century Schools), additional general grant from Welsh Government and waste grants.

**2.23** The Council is also able to borrow to finance capital expenditure. This can be supported where funding is received from WG to fund the cost of borrowing or unsupported where the Council has to finance the full cost of the debt. When considering options for capital financing, the ability of the Council to finance the repayment of any loan it raises for the funding of capital schemes must be evaluated. Section 3 of the Capital Strategy provided further detail regarding borrowing and Section 5 provides information and indicators regarding the Council's level of borrowing.

### **Capital Programme 2022/23 to 2026/27**

**2.24** The 2022/23 to 2026/27 Capital Proposals have been made in accordance with the principals of the Capital Strategy. Clearly, limited resources will allow only those schemes of highest corporate priority and/or risk to be pursued. Section 4 of the Capital Strategy sets out the process for prioritising capital bids.

**2.25** The initial capital proposals advised that while the evaluation process had been carried out for 2022/23 in the normal manner, the provisional settlement for 2022/23 had not been confirmed. It was therefore proposed at that point, due to the uncertainty in the level of funding to be provided, that no schemes would be approved for inclusion in the Capital Programme and further assessment would be carried out by the Budget Working Group once the level of funding was known and consultation had taken place. As the provisional capital settlement from WG has now been received, it is proposed that new schemes are now included in the capital programme 2022/23 - 2026/27 as set out below:-

<b>Scheme</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>Need</b>	<b>Decarbonisation Consideration</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>		
Zero Carbon Llanfair Primary School	253	0	0	The existing storage heaters at the school are failing and not operating efficiently.	The storage heaters will be replaced by a wet radiator heating system within the main block. An air source heat pump system of approximate 40 kW output capacity will provide the heating to the wet system. To provide self-generated power an 18 kW (approx.) roof mounted photovoltaic system will be installed.
Rondel House Day Service Improvements	50	0	0	A recent survey of the roof found structural defects which will	Investigations are taking place to see if a roof mounted photovoltaic

				require repair to ensure sustainable and safe use of the building into the future. Repairs to windows are required to prevent leaking and draughts. An outdoor seating area is also required, which would improve the physical and the psychological wellbeing of the attendees.	system can be installed as part of this scheme.
Atlantic Trading Estate Fleet Parking	1,090	0	0	£600k for this scheme has previously been approved in the 2022/23 Capital Programme. This scheme is to develop land on Atlantic Trading Estate (ATE), Barry to accommodate Neighbourhood Services operations Waste and Recycling collection vehicles. In order to complete the scheme further funding will be required and a bid is being submitted to WG to request grant funding.	This scheme will reduce the daily impact that the collection fleet has on the environment, in terms of tailpipe emissions as well as increasing the productivity of the service, giving more productive time spent kerbside collecting. In terms of carbon saving, the difference is fuel use between the projected collection rounds (including the proposed rounds for the final rollout phase for blueprint collections) and rounds modified to account for the ATE development. Further detail will be provided in the Capital Strategy.
Highway Resurfacing	2,000	0	0	£300k for this scheme has previously been approved in the 2022/23 Capital Programme. Taking total resurfacing budget to £2.3m in 2022/23. The maintenance of the highway and safe	The contract works require the external contractor to consider recycling of materials generally as part of the contract. The road planings excavated from the existing surface are generally recycled and reused. The new

				passage of the travelling public is a statutory function. The failure to undertake the resurfacing works required will lead to an increasing degradation of the highway which will result in reduced safety, and potential increased complaints and insurance claims.	surfacing materials will generally comprise 2% recycled materials.
Knap Skate Park	100	0	0	The metal equipment is at the end of its life and urgently needs to be replaced.	The propose concrete skate park would be more sustainable than the current steel ramps.
Ash Die Back and Replanting Programme	100	100	100	To make safe those Ash trees close to roads, car parks, public rights of way, woodland rides, and public open spaces.	Mitigating tree loss by re-planting two standard size trees for every tree felled. Where possible retain the trunk of tree to provide habitat for other species. All felled materials will be recycled where possible.
Boverton Retaining Wall	120	0	0	The retaining wall is defective and remedial works are required to ensure the safety of pedestrians and motorists.	Masonry removed from wall will be stockpiled at a council facility for future use. Vegetation from felled trees can be composted. Timber from felled trees could be treated/worked for re-use. The implication of the removal of mature trees and widening of the footway can be mitigated by planting replacement trees away from the footway and also the enhancement of planting in the existing green space.
Changing Rooms, Ancillary facilities and replacement boxing club at the Buttrills playing field	0	500	1,000	Barry Sports Centre was constructed in the 1960's and is now beyond economic	A new facility will safeguard the Buttrills recreation field for future generations. As

				repair or upgrading. It is proposed to provide 8 changing rooms, 4 referees rooms, a general space, kitchen, meeting room, toilet facilities and a boxing club plus additional Car Parking on the Buttrills playing field to replace existing facilities located at the Colcot.	part of the scheme it is proposed to make the site a 'Fields in Trust' registered sport ground. The new building will be significantly more energy and resource efficient than the existing building.
Eastern Shelter and Barry Island Promenade Refresh and ANPR	1,200	0	0	The areas of defective concrete repairs identified present a safety risk to the public using the shelter due to the potential of pieces of concrete falling from the underside of the roof and columns onto the public below. An ANPR system is also proposed in each of the two car parks to reduce the need for monitoring within the car parks.	The repair of the defects to the structure, ensuring its continued use, is more cost effective and sustainable than pursuing a course of demolition and rebuilding.
Country Parks Toilets	120	0	0	The sites run a customer satisfaction questionnaire and the condition of the toilets is raised on a regular basis. It is proposed to refurbish the public toilets at both Cosmeston and Porthkerry Country Parks, ensuring that both sites maintain their Green Flag status and their status of destination venues for visitors to the Vale of Glamorgan.	All materials will be recycled where possible. All materials sourced will be FSC approved and where possible sourced locally. Any construction will include energy efficient technologies to ensure that the building is as self sustaining as possible. The proposal will include energy efficient technologies.

Play Area Asset Renewal	100	0	0	Several playgrounds are in urgent need of replacement.	The materials sourced for replacement of playgrounds will be high quality sustainable products.
Kymin Works	50	0	0	Works to protect the building from further deterioration due to wind and water penetration are required. The work will consist of patch repairs to the roof, chimney and external walls, clearance of all debris from the rainwater goods, and redecoration of the fascia's and soffits to prevent them deteriorating further. Some internal works will be required to prevent some of the worst identified damp issues getting worse.	By making the building wind and water tight it should increase energy efficiency. The works will help reduce carbon emissions. Sustainable products will be utilised where possible in the repairs but will be determined to a certain extent by their suitability to match existing materials.

**2.26** The Initial Capital Proposals advised that the Asset Renewal budgets for each directorate would be reviewed and schemes would be identified prior to the approval of the Final Capital proposals for 2022/23 to ensure that funding is allocated to priority schemes. A full breakdown of the Asset Renewal budgets is now included in the 2022/23 capital programme.

**2.27** On the 7th February 2022 a letter was received from Welsh Government informing the Council that £70m of additional general capital funding across Wales is being made available in 2021/22 to support authorities capital programmes, including impacts on highways. The Vale of Glamorgan's allocation of this is £2,702,921. The grant is un-hypothecated to give authorities maximum flexibility and may be used to finance capital expenditure incurred in accordance with part 1 of the Local Government Act 2003. The terms and conditions state that any unspent grant can be carried forward into next financial year. Emergency powers have been used to approve £500k for resurfacing in 2021/22. Schemes to the value of £2.2m have been included in Appendix 2.

**2.28** Social Services plan to carry out the Ty Dewi Sant plant room renewal works and the Ty Dyfan boiler replacement with the £100k asset renewal allocation, however estimated costs for these works total £115k (£75k and £40k

respectively) and therefore the £100k will not be sufficient. A £15k contribution funded from the Social Services building reserve has been included in Appendix 2.

- 2.29** A country Parks ANPR scheme with a budget of £200k has been included in Appendix 2. This scheme is funded from the Capital Schemes reserve. The ANPR system will reduce the need for physical monitoring of the car parks, increase visitor flexibility and reduce anti-social behaviour.
- 2.30** £1m is being allocated to resurfacing from reserves. There was already £300k approved in the capital programme and a further £1m has been allocated from additional Welsh Government grant detailed above, therefore this brings the Council's contribution towards highway improvements in 2022/23 to £2.3m.
- 2.31** The Neighbourhood Services Asset Renewal budget was reduced from £500k to £300k for 2022/23 in the Final Capital Proposals 2021/22 to 2025/26 report to contribute towards the funding of the works that have been carried out along Penarth Esplanade. An additional £100k has been included in Appendix 2, the total asset renewal available for 2022/23 is now £400k. This will help to contribute towards the capital pressures faced by the directorate.
- 2.32** The Council has received an award of funding of £2.384m in relation to the Capital Funding Grant towards Schools Maintenance Budgets. The grant is split £108k improving ventilation in Education settings and £2.276m capital maintenance grant. The Funding relates to the period 1st April 2021 to 31st March 2022 and has been paid to the Council in full. £14k of the ventilation grant will be spent in 2021/22 at St Richard Gwyn for revised window openings with extending arms to existing windows in the English block to increase ventilation. The terms and conditions allow for the funding to be used in the 2021/22 financial year for locally determined capital expenditure and the funding displaced by this grant will be spent in 2022/23 for investment in the improvement of schools. The remaining £2.370m will be put into a specific reserve at the end of the financial year and will fund the Schools maintenance schemes in the 2022/23 capital programme. This grant has been included in Appendix 2, £235k has allocated to the Zero Carbon Llanfair Primary School scheme. Approval will be sought early in the new financial year when the school condition surveys have been returned requesting the allocation of the remaining funding to specific schemes.
- 2.33** A School's Decarbonisation LED scheme with a budget of £120k has been included in Appendix 2. The scheme will provide LED Lighting in Rhws, Sully and Peterston Super Ely CIW primary schools. This scheme will improve the learning environment for the children and will be a small contribution towards net zero by reducing the carbon emissions of lighting the schools. This scheme will be funded from the Energy Management Reserve.

- 2.34** Potential funding for 2022/23 onwards which has not been allocated to specific schemes is shown under the All Services Asset Renewal heading.
- 2.35** Slippage that has been requested as part of the January 2022 Capital Monitoring report, which is on the same agenda as this report, has been included in Appendix 2.

### **Schools Investment Programme**

- 2.36** The Schools Investment Programme is a priority programme of investment in the future of the Vale of Glamorgan's schools and further background is contained in Section 2 of the Capital Strategy.
- 2.37** Further to the Minister's announcement of 2 November the 21st Century Schools and Colleges Programme has been renamed to Sustainable Communities for Learning.
- 2.38** Great progress has been made in the Sustainable Communities for Learning Programme, four of the twelve schools within the Band B Programme are now operational. Whitmore High School became operational on 4th May 2021. The new build has a 1,100-pupil capacity. The Special Resource Base within the new build was established in September 2021. Although the new build is complete and open there are outstanding external works. The programme is aiming for March 2022 for the completion of the grass pitches. The Ysgol Bro Morgannwg school refurbishment works were completed on 8th October 2021. The School is now able to function at greater capacity of 1,660 pupils (including primary and 6th form elements). Following completion of the refurbishment it was determined the existing hall should also be re-vamped to tie in with the wider refurbishment of the School. The works to the hall are planned to commence at the end of January 2022.
- 2.39** The new school building at Pencoedtre High School opened on 6th January 2022. Snagging works on the new build are ongoing and external landscaping and demolition of the previous school are outstanding. The demolition of the old school building commenced in January 2022. Saint David's CiW Primary School new building opened on the 6th September 2021 and has a 210-pupil capacity. The demolition of the old school building is complete and replaced with the new car parking area. Phase 2 of the sustainable drainage system is yet to be completed and is awaiting SAB approval which is anticipated in February 2022. There are also ongoing snagging issues which are being addressed. It is anticipated the project will be complete in March 2022.
- 2.40** South Point Primary's new school building is on track for a school start date on 28th February 2022. Landscaping works will then continue along with some off site works relating to traffic regulation orders and refurbishment works to a pathway. The new school has a 210-pupil capacity. The new school is also the first net zero in operation school in Wales. The Saint Nicholas Primary School

scheme has not started and is currently seeking planning consent for a revised scheme which provides a new school on the existing site with 126 pupil-capacity and 24 part time nursery places. The contractor has developed the revised scheme to deliver the proposal. The planning determination is anticipated in March 2022. Construction start date is provisionally planned for June 2022, with completion anticipated in June 2023.

- 2.41** Planning and SAB consent have been agreed for the Barry Waterfront scheme. The piling rigs for the ground works have been delivered to site and site setup has started, the Consortium are aiming for completion in February/March 2023. The planning application for the Centre of Learning and Wellbeing proposal was approved in November 2021. However, a revised SAB scheme is awaiting approval. Site handover to Education was in January 2022 but transition of Neighbourhood Services moving off site is expected to continue to end of March 2022. Confirmation of the works contract is anticipated by April 2022 which will initiate the construction phase of the proposal with planned completion planned in Spring/Summer 2023.
- 2.42** A Planning application has been submitted for Cowbridge Primary School for the proposal and a determination is anticipated in February/March 2022. Delivery of the scheme is planned for Spring/Summer 2023. An outline planning application has been submitted for the Ysgol Y Deri Scheme. It is anticipated the proposal will be determined by February 2022, but this is dependent on when outstanding survey work is completed and submitted to the Local Planning Authority for consideration. The completion for the proposal is planned for the Summer 2023 with construction anticipated to start on site in June 2022, subject to the relevant planning consents.
- 2.43** Progress on the Penarth Primary Provision scheme is dependent on the housing allocation at Upper Cosmeston Farm coming forward. Currently Welsh Government have submitted an outline planning application for the residential scheme which includes land safeguarded for the primary school. A determination of this planning application is outstanding but is expected to be determined in 2022.
- 2.44** Costs for the Band B Programme have considerably increased due to a number of factors including additional remediation costs for the Centre for Learning and Wellbeing (CLWB) site and increased costs due to market changes for the CLWB, Barry Waterfront, Ysgol Y Deri and Cowbridge Primary School. A revised SOP is being submitted to Welsh Government in relation to the Barry Waterfront scheme for £560k, of which we have requested £280k additional Welsh Government grant that the Council has already funded in order to not delay the scheme. The Council's match funding of £280k has also already been included in the Capital Programme. The additional costs for Cowbridge Primary School, CLWB and Ysgol Y Deri expansion are currently estimated at £4.904m of which we anticipate requesting £3.515m additional Welsh Government grant through the full business case approval process. Of this the Council will be required to

match fund £1.108m. The £1.108m is dependant on WG agreeing to fund the £280k for Barry Waterfront that the Council has already funded in order to not delay the scheme, if this is not refunded the match funding required will increase to £1.388m. Due to feasibility issues with the Penarth Nursery Provision scheme it is anticipated that the scheme will not progress under the Band B Programme. It is proposed a revised scheme could be considered under the next funding phase of the Sustainable Communities for Learning programme. Currently the Council is seeking advice from Welsh Government on whether the budget for the scheme can be incorporated into the overall programme to meet potential shortfalls in other schemes being progressed. This would also release £475k of internal funding which could be used towards the additional match funding the Council are required to find. Cabinet will be updated on the above when a decision has been given from Welsh Government. The Council's match funding will be funded from the School Investment Strategy reserve.

**2.45** Costs have also increased within the St David's Primary School scheme and the Primary Provision in the Western Vale scheme. Both projects included a contingency amount to address unforeseen costs and potential increase in market values as the project progresses. However, for both projects the additional costs have increased beyond the contingencies within the budget. Regarding the St. David's Primary School project, the main increase relates to implementing the drainage scheme as during construction it was found that the majority of the phase 2 area contained significant amounts of rock which needed to be removed. In terms of Llancarfan Primary School (Primary Provision in the Western Vale scheme), the cost increase predominately relates to the need to re-level the site following the transfer of the land from Taylor Wimpey to the Council. Following a review of the programme, Whitmore High School and Ysgol Bro Morgannwg were identified as having surplus funding. These projects are in the last stages of development with the outstanding work already committed. Emergency powers have been used to vire surplus funds from Ysgol Bro Morgannwg and Whitmore High School to the Saint David's Primary School scheme and the Primary Provision in the Western Vale scheme as shown below:-

Projects	Additional Costs
St David's CiW Primary School	£132,890
Llancarfan Primary School	£137,140
Total	£270,030

Projects	Funded from
Ysgol Bro Morgannwg	£103,827

Whitmore High School	£166,203
Total	£270,030

**2.46** The schemes contained in the programme have been requested to be re-profiled in the Capital Monitoring Report April 2021 to January 2022 on the same agenda as this report. The revised profiles are shown below and are also reflected in Appendix 2. The total of the Band B programme is currently £137.5m of which £2.453m was funded in 2018/19, £15.316m in 2019/20 and £44.460 in 2020/21.

<b>Band B Schemes</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Whitmore High School	4,564	226	0	0	4,790
Pencoedtre High School	16,241	4,698	0	0	20,939
Centre for Learning and Wellbeing	235	1,023	2,760	903	4,921
Ysgol Gymraeg Bro Morgannwg	2,768	40	0	0	2,808
Barry Waterfront	1,692	4,564	1,691	490	8,437
Primary Provision in the Western Vale (South Point Primary School)	3,436	53	0	0	3,489
Cowbridge Primary Provision	246	1,136	3,066	1,064	5,512
St David's Primary School	2,326	36	0	0	2,362
St Nicholas	386	1,002	2,704	495	4,587
Ysgol Y Deri	145	2,420	6,532	2,792	11,889
Primary Provision in Penarth	0	250	1,500	2,435	4,185
Review Nursery Provision	10	220	1,130	0	1,360
Band B Contingency	7	0	0	0	7
<b>TOTAL</b>	<b>32,056</b>	<b>15,668</b>	<b>19,383</b>	<b>8,179</b>	<b>75,286</b>

**2.47** The revised funding for this programme is shown in the following table.

<b>Band B Schemes</b>	<b>£000</b>
WG Grant	34,022
S106	15,244
Capital Receipts	5,308
General Capital Funding	2,625
Reserves and Revenue Contribution	10,467
Prudential Borrowing	7,620
<b>TOTAL</b>	<b>75,286</b>

## Housing Improvement Programme

- 2.48** The Council achieved Welsh Housing Quality Standard (WHQS) at the end of March 2018. The Final Capital Programme Proposals therefore reflect the level of works required to maintain WHQS and the Council's aspirations as part of the Housing Asset Management Plan, which includes the building of new houses. Further details are contained in section 2 of the Capital Strategy.
- 2.49** WG requires all local authorities who retain their housing stock to submit an acceptable Housing Business Plan annually that incorporates a detailed financial forecast in the form of a 30 year financial model. The Business Plan is the primary tool for a local authority's housing landlord service to ensure that its financial plans are sustainable and affordable.
- 2.50** The Plan will form the basis of the Major Repairs Allowance (MRA) grant application, which is a pivotal financing component for the Housing Improvement Programme. The MRA allocation for 2022/23 has not yet been announced by the Welsh Government but the assumed level of grant in Appendix 2 remains at £2.770m per annum which is the sum received in 2021/22.
- 2.51** The sources of funding to be used to finance HRA expenditure in 2022/23 to 2026/27 are in the table below. It is requested to reprofile the Housing Improvement Programme as detailed below, this has also been reflected in Appendix 2.

<b>Funding</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Revenue/Reserves	18,452	6,894	7,038	7,142	8,182
MRA Grant	2,770	2,770	2,770	2,770	2,770
Unsupported Borrowing	16,056	26,681	12,418	6,059	8,170
Other Grant	1,500	4,000	1,500	2,160	1,500
S106	1,000	0	0	0	0
<b>Total Budget</b>	<b>39,778</b>	<b>40,345</b>	<b>23,726</b>	<b>18,131</b>	<b>20,622</b>

## 3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The Capital Strategy and Capital Programme focuses capital investment to deliver the outcomes identified as part of the Corporate Plan.

- **To work with and for our communities** - Consultations are carried out as part of the 2022/23 budget process, with the community on capital projects e.g. Band B and park schemes. Building Stronger Communities capital grants are being issued to support projects being carried out by members of the community.
- **To support learning, employment and sustainable economic growth** - Further investment in schools through the School Investment Programme with Band A complete and development under Band B which commenced in 2019/20. Contributing as a partner in the Cardiff Capital Region City Deal will bring economic prosperity to the area. There will be continued investment in environment and regeneration programmes to support economic growth and further investments supported as part of the proposed Non Treasury Service Investment Strategy - Economic Regeneration and Growth Fund.
- **To support people at home and in their community** - Investment in housing through the Housing Improvement Programme will maintain the Welsh Housing Quality Standard and there is a new build programme. Disabled Facility Grants are also issued to residents. Investment in leisure centres and playgrounds will encourage more use and activity. The core active travel fund allocation grant from Welsh Government is used to implement active travel schemes.
- **To respect, enhance and enjoy our environment** - In response to the climate emergency, the Council launched a project to explore how construction practices could be adapted to support decarbonisation as part the Sustainable Communities for Learning Programme. St David's CIW Primary School was designed to be low (in-use) carbon through improved building fabric, maximising renewables and its only energy source is electric. This model was further developed to deliver net-zero (in-use) carbon school buildings for South Point Primary School and St Nicholas CIW Primary School. The South Point Primary School scheme is due to be completed February 2022 which will make it the first net-zero carbon primary school building in Wales. Additional schemes have been included for Llanfair Primary Net Zero and Rondel House including the proposed use of PV Panels. Investing in the introduction of LED street lighting will bring environmental benefits. Funding has been made available for the installation of vehicle charging infrastructure and for the purchase of electric pool cars. The school decarbonisation programme consists of a variety of energy reduction measures and renewable energy installations have been identified across a number of assets within the school portfolio. Recycling is now to be sorted into separate containers, the change is aimed at improving the quality of the materials that are collected for recycling which is better for the environment and will help the Council to recycle more.

**3.2** The Capital Strategy and the setting of the 5 year Capital Programme considers the Five Ways of Working.

**3.3** **Looking to the long term** - The development of the capital programme and the Capital Strategy is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that investments are affordable

over the longer term and that future need and demand for services is understood.

- 3.4 Taking an integrated approach** – The Capital Strategy recognises that in setting the capital programme, working with partners is encouraged, as it allows the utilisation of funding from various sources, such as Welsh Government and S106 contributions, to deliver schemes.
- 3.5 Involving the population in decisions** – As part of the annual budget setting process there is engagement with residents, customers and partners. Prior to the implementation of certain capital schemes, consultation may also take place with the public which may in some cases be statutory.
- 3.6 Working in a collaborative way** – The Capital Strategy recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future which includes providing funding to work with local communities.
- 3.7 Understanding the root cause of issues and preventing them** – The Capital Strategy and the process for setting the capital programme is proactive and allows an understanding of the financial and operational issues to be considered together so that issues can be tackled at the source.

## **4. Resources and Legal Considerations**

### **Financial**

- 4.1** The capital programme will be funded from a variety of sources. The table below details the General Capital Funding and internal resources required to fund the schemes proposed in Appendix 2 in 2022/23.
- 4.2** Due to the reduction in General Capital Fund for 2022/23, in order to deliver the necessary capital investment required by the Council it is proposed that £2.696m of the Council Fund reserve is used to fund capital expenditure.

<b>Net Sources of Funding - 2022/23</b>	<b>£000</b>
<b>General Fund</b>	
<b>Welsh Government Resources:</b>	
General Capital Funding	2,378
Supported Borrowing	3,451
<b>Council Resources:</b>	
Capital Receipts	5,120
Unsupported (Prudential) Borrowing	4,560
Revenue/Reserves	13,413
<b>Net Capital Resources</b>	<b>28,922</b>
<b>Housing</b>	
<b>Council Resources:</b>	
Capital Receipts	0
Unsupported (Prudential) Borrowing	16,056
Housing Reserves	18,452
<b>Net Capital Resources</b>	<b>34,508</b>
<b>Total Net Capital Resources</b>	<b>63,430</b>

### **Employment**

- 4.3 Some of the schemes included in the capital programme will be undertaken by Council staff and the relevant costs will be recharged to the capital scheme.

### **Legal (Including Equalities)**

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

## **5. Background Papers**

Local Government Provisional Revenue Settlement letter dated 21st December 2021.



VALE of GLAMORGAN COUNTY BOROUGH COUNCIL

# CAPITAL STRATEGY

2022/23



# **CAPITAL STRATEGY 2022/23**

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# 1. INTRODUCTION AND AIMS OF THE CAPITAL STRATEGY

## Introduction and Aims

- 1.1 The Capital Strategy provides a framework which outlines how capital expenditure, capital financing and treasury management activity contribute to the provision of corporate objectives, along with an overview of how associated risk is managed and the implications for future financial sustainability. It therefore outlines the Council's need to acquire, dispose of or enhance assets such as land, buildings, roads, vehicles & plant to provide sustainable service provision to support its objectives. As resources available to meet the capital requirements of the Council are limited, the Strategy explains how priorities are set and outlines the sources of funding available, including the level of borrowing it will need and can afford to undertake and its investment strategy.
- 1.2 While the Strategy should look to the longer term, it is supported by a detailed Capital Programme for 5 years covering the period 2022/23 to 2026/27. This is the fourth year that the Capital Strategy has been produced in this format and it will be updated annually and evolve over future years.
- 1.3 The Council's capital expenditure is reflected in the Balance Sheet of its Statement of Accounts ensuring stewardship of assets is demonstrated. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Council. The Council's assets at the 31 March 2021 have a net book value of £737m, which includes £162m relating to housing stock.

## Definition of Capital and Capitalisation Policy

- 1.4 Capital expenditure is defined by the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice (SORP) as "Expenditure on the acquisition, creation or enhancement of an asset". The Local Authorities Capital Finance and Accounting (Wales) Regulations also provides for other items to be defined as capital expenditure. These are:
  - Expenditure on computer programs;
  - The making of a grant or other financial assistance to any person towards expenditure that would be capital expenditure if incurred by the authority;
  - The acquisition of share and loan capital;
  - The repayment of grant given for capital purposes; and
  - Expenditure on works on land and buildings and on assets not owned by the authority.
- 1.5 The Council also uses a deminimus level of £10,000 to classify expenditure as capital or proceeds from the sale of an asset as a capital receipt, with expenditure or income below this level being classed as revenue.

## Prudential Code

- 1.6 The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.
- 1.7 CIPFA released an updated version of the Prudential Code in December 2017. The revised code includes a new requirement for authorities to produce a Capital Strategy. To comply with the requirements, a Capital Strategy has been produced for 2022/23 and will be updated on an annual basis. The Strategy will also need to be submitted to full Council for approval.
- 1.8 CIPFA published revised codes of Practice on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Capital Strategy, Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year, which are required to be taken to Full Council for approval. The revised codes will have the following implications:
- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
  - clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
  - address Environmental, Social & Government (ESG) issues within the Capital Strategy;
  - require implementation of a policy to review commercial property, with a view to divest where appropriate;
  - create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
  - ensure that any long term treasury investment is supported by a business model;
  - a requirement to effectively manage liquidity and longer term cash flow requirements;
  - amendment to Treasury Management Practice (TMP)1 ( to address ESG policy within the treasury management risk framework;
  - amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;

- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes, Treasury Management, Service Delivery, Commercial Return.

## 2. LINKS TO STRATEGIC PLANS AND FUTURE CAPITAL REQUIREMENTS

- 2.1 There are a number of factors that will influence the Council's priority areas of spend and its future capital investment. This section outlines the various Council strategies which identify the priority areas for capital investment and the external factors that result in the need to incur capital expenditure.

### Corporate Plan

- 2.2 The Corporate Plan effectively acts as the driver, setting the focus and direction for the delivery of all Council services. In this way, future requirements can be predicted and future areas of significant expenditure can be identified and prioritised, not only in the light of service developments and the competing demands between different services, but also in pursuit of pre-defined corporate priorities.

- 2.3 The Council had set out its vision for 2020-2025 in its 'Vale of Glamorgan Council Corporate Plan 2020-25'. This updated plan has kept the existing vision and values of the previous plan however 4 new well-being objectives have been included. The Capital Programme should be set having regard to the Council's corporate priorities, which are included in the Corporate Plan through the 4 objectives. These are as follows:-

To work with and for our communities;  
To support learning, employment and sustainable economic growth;  
To support people at home and in their community; and  
To respect, enhance and enjoy our environment.

- 2.4 These objectives demonstrate the Council's commitment to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own needs.

- 2.5 In developing the Corporate Plan, the Council has reflected on the way it works and has stated 5 principles it will follow and these principles will remain for the new Corporate Plan. This approach to working has been followed in developing this Capital Strategy and setting the capital programme. The 5 ways of working are :-

- **Looking to the long term** - The development of the capital programme and the Capital Strategy is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that investments are affordable over the longer term and that future need and demand for services is understood;
- **Taking an integrated approach** – The Capital Strategy recognises that in setting the capital programme, working with partners is encouraged, as it allows the utilisation of funding from various sources, such as Welsh Government and S106 contributions, to deliver schemes;
- **Involving the population in decisions** – As part of the annual budget setting process there is engagement with residents, customers and partners. Prior to the implementation of certain capital schemes, consultation may also take place with the public which may in some cases be statutory;

- **Working in a collaborative way** – The Capital Strategy recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future which includes providing funding to work with local communities; and
- **Understanding the root cause of issues and preventing them** – The Capital Strategy and the process for setting the capital programme is proactive and allows an understanding of the financial and operational issues to be considered together so that issues can be tackled at the source.

2.6 Further details can be found at [Draft Vale of Glamorgan Council Corporate Plan 2020-25](#).

### **Medium Term Financial Plan (MTFP)**

2.7 The Council produces a rolling Medium Term Financial Plan as a mechanism which allows the Council to forecast the level of funding available in future years and to match this against the likely expenditure. It links both the planning process with the budget process and ensures consistency between them. The MTFP is therefore of crucial importance for the development of a plan for capital investment. The revenue consequences of any capital investment have to be determined and built into the planning process and needs to ensure that they are affordable going forward. The latest MTFP was approved by Cabinet on 22<sup>nd</sup> November 2021.

2.8 Further detail can be found at [Medium Term Financial Plan](#).

### **Corporate Asset Management Plan (CAMP)**

2.9 The way the Council manages its properties and other assets has a direct impact on the services it provides and the CAMP seeks to ensure that the Council achieves the optimum use of its assets whilst supporting service delivery across the Council and achieving the aims of its Corporate Plan. Asset management is not merely about how to make financial savings, it is about ensuring that the Council achieves the maximum efficiency from its assets. Realising the CAMP's objectives requires a long term strategy and the CAMP is therefore updated regularly. The latest CAMP covers the period 2019 to 2022 and was approved by Cabinet on 29<sup>th</sup> July 2019. The next CAMP is currently being drafted and will be presented to Cabinet for approval later this year.

2.10 The objectives of the CAMP are :-

- To ensure an efficient, effective, and sustainable use of land and buildings to deliver fit for purpose property to support the council's service delivery;
- To identify and pursue opportunities to generate capital receipts and revenue generating opportunities from surplus property;
- To ensure that Premises Managers / Duty Holders manage Council assets so that they comply with appropriate statutory, regulatory and corporate standards, and are maintained to an appropriate level;
- To ensure that all asset information held is in a user friendly form which is accessible to service providers; and

- To work in partnership and collaborate with other public sector bodies within the Vale of Glamorgan to achieve efficiencies in the use of property assets.

2.11 In order to achieve these objectives, Service Asset Management Plan (SAMP) questionnaires are completed annually by each service area and provides data relating to the assets each service is allocated. They assist in aligning the Council's property assets to meet both current and future service delivery needs. They are also an integral part of informing whether assets are fit for purpose and performing as required. Performance is reviewed on a suitability and sufficiency basis, with consideration given to workforce planning requirements.

2.12 Forming part of the Council's accommodation strategy, the Space Project is focussed specifically on the key corporate buildings. Since its implementation it has become a key driver for achieving a more efficient use of our corporate buildings and this will continue into the future.

2.13 An Acquisition Protocol has been developed which will help to ensure that a co-ordinated approach is adopted for any potential acquisitions. The protocol will require the following:-

- The reason for acquisition;
- A property search to be undertaken by Asset Management/Estates, initially undertaking a review of property already in Council ownership/control, and only if deemed appropriate should a wider search of third party properties be undertaken;
- A completed option appraisal including an assessment on a whole life costing basis to establish the most cost effective options to provide a suitable building; and
- An approval process, including referrals to Cabinet or relevant strategic groups.

2.14 Working in a collaborative way is one of the Council's 5 Ways of Working and the Council is taking opportunities to achieve this by a more effective use of its assets through collaboration and joint working initiatives with other public sector organisations. The Council's Community Asset Transfer Protocol which was reviewed and agreed by Cabinet on 16<sup>th</sup> December 2019. This protocol identifies when the Council can consider the transfer of an asset and how local communities could register an interest in taking over a Council owned property.

2.15 Further detail can be found at [Corporate Asset Management Plan Update](#) and [Corporate Asset Management Plan Annual Update](#).

## **Highways Asset Management Plan**

2.16 The Vale of Glamorgan Council's Highway Asset Management Plan (HAMP) is currently in the process of being finalised. When complete it will provide an integrated framework through which the Council delivers highways maintenance across the Council's road network in a manner that optimises resources for the management of the highway infrastructure.

## **Housing Improvement Programme**

2.17 As at 31<sup>st</sup> December 2021 the Council's housing stock stood at 3,916.

2.18 Cabinet on 16th December 2019 approved the Housing and Property Acquisition Strategy 2020. With the introduction of the Welsh Housing Quality Standards (WHQS), the Housing Investment Programme has been predominantly focused on investing in tenants' homes and neighbourhoods directly contributing to achievement of the standard. As at 31<sup>st</sup> March 2018, the Council achieved the standard and therefore the Housing Asset Management Strategy seeks to set out the Council's ongoing vision for investment in the housing stock and developing new homes to meet the needs of current and future tenants of the Housing service. Tenants of the Council will be consulted on the Strategy to enable their views and priorities to be considered and built into the document where appropriate.

2.19 The key areas of investment for the Council will be the maintenance of WHQS, development of new Council homes to meet increased housing demand in the social rented sector and improvement of the existing housing stock to meet the challenges of zero carbon emissions by 2050 at the latest. There will also be opportunities to undertake regeneration and environmental improvement works to create neighbourhoods that provide a sense of place and community.

2.20 In order to support this Strategy and to comply with Welsh Government's requirements, a 30-year Housing Business Plan is produced each year. The latest Housing Business Plan will be submitted to Council for approval on 7<sup>th</sup> March 2022. This Plan forms the basis of the Major Repairs Allowance (MRA) grant application to Welsh Government, which is a pivotal financing component for the Housing Improvement Programme. The total capital spend in the HRA over the next 5 years will be £142.6m.

2.21 Further detail can be found at [Housing Asset Management Strategy](#).

### **ICT and Digital Strategy**

2.22 The Council's ICT Strategy 2017 – 2021 was approved by Cabinet on 3<sup>rd</sup> April 2017. It has the overall aim to enable opportunities for improvement through the innovative use of ICT, now and in the future. To deliver this aim, four objectives with associated actions have been identified as follows :-

- To improve and enable greater access to services;
- To support innovation through the use of ICT;
- To maintain, support and develop resilient ICT infrastructure and systems; and
- To provide a quality ICT service.

2.23 The Council also has a Digital Strategy covering 2017-2020 which was approved by Cabinet on 31<sup>st</sup> July 2017. The strategy identifies 4 themes which will enable the Council to achieve its vision. They are Digital Customer Service, Digital Workforce, Digital Place and Digital Collaboration. Both of these strategies are currently being updated and consolidated into a single Digital Strategy and will be taken to Cabinet in the next couple of months.

2.24 The capital programme includes a budget for ICT to provide capital investment to support the actions identified in both these strategies.

2.25 The Hwb grant was awarded to the Council from Welsh Government to renew school ICT infrastructure and equipment to bring up to the required Welsh Government standard. The terms and conditions of this grant require the Council to put in place a replacement programme so that equipment and infrastructure can continue to be replaced when it reaches the end of its useful life (estimated at 5 years) and to ensure standards are maintained. On an annual basis £320k from Schools delegated budget will be transferred into a reserve to fund the replacement of ICT equipment.

2.26 Further detail can be found at [ICT Strategy](#)

2.27 Further detail can be found at [Digital Strategy](#)

## **Waste Management Strategy**

2.1 The revised Waste Management Strategy was presented to Cabinet on 2nd July 2018. There is also a new 10-year waste strategy being developed and this will be presented to Cabinet for consideration early 2022. There has been a successful capital bid to Welsh Government's Collaborative Change Programme (CCP) to financially support the new waste infrastructure required to introduce a source separated dry recycling collection service namely the 'collections blueprint'. Capital support is required to fund the purchase of vehicles, all necessary containers and the construction of a Resource Recovery Facility including all necessary plant and equipment. The Council was allocated £3.5m from Welsh Government in 2018/19, £2.8m in 2019/20. The first phase of the roll out to the Rural Vale was introduced in October 2019, a further roll out to Barry was undertaken in October 2020 and the final roll out will be introduced in Penarth late 2022. The Penarth roll out is reliant on a new permanent Resource Recovery Facility (RRF) being built and being operational. Provision has been made within the capital programme to fund this. In addition, there has been an additional grant in 2020/21 of £1.108m to construct a reuse shop (£358k) on the HWRC site in Barry, to introduce source separated recycling for flats and apartments (£250K) and to fund new recycling sorting equipment for the permanent RRF (£500k). £1.668m has been built into the 2022/23 Capital Programme for the Atlantic Trading Estate Fleet Parking scheme, this scheme is to develop land on Atlantic Trading Estate (ATE), Barry to accommodate Neighbourhood Services operations Waste and Recycling collection vehicles. In order to complete the scheme further funding will be required and a bid is being submitted to WG to request grant funding.

2.2 Further detail can be found at [Revised Waste Management Strategy](#)

## **School Investment Programme**

2.3 The 21st Century Schools and Education Programme is a unique collaboration between the Welsh Government and local authorities. It is a major long term strategic capital investment programme with the aim of creating a generation of 21st Century Schools in Wales. The minister announced on the 2<sup>nd</sup> November 2021 that the 21st Century Schools and Colleges Programme has been renamed to Sustainable Communities for Learning.

- 2.4 The first tranche of schemes under Band A were delivered between 2013/14 and 2018/19. Band B schemes commenced in 2018/19.
- 2.5 At the end of July 2017 the Council submitted a Strategic Outline Programme to Welsh Government for Band B.
- 2.6 In late November 2018, Welsh Government advised that the intervention rate i.e. the level of funding they will provide, would increase for non-faith school schemes from 50% to 65%. A new intervention rate was introduced for facilities for those pupils with additional learning needs (ALN) and those in pupil referral units (PRU) at 75%.
- 2.7 Great progress has been made in the Sustainable Communities for Learning Programme, four of the twelve schools within the Band B Programme are now operational. Whitmore High School became operational on 4th May 2021. The new build has a 1,100-pupil capacity. The Special Resource Base within the new build was established in September 2021. Although the new build is complete and open there are outstanding external works. The programme is aiming for March 2022 for the completion of the grass pitches. The Ysgol Bro Morgannwg school refurbishment works were completed on 8th October 2021. The School is now able to function at greater capacity of 1,660 pupils (including primary and 6th form elements). Following completion of the refurbishment it was determined the existing hall should also be refurbished to tie in with the wider refurbishment of the School. The works to the hall are planned to commence at the end of January 2022.
- 2.8 The new school building at Pencoedtre High School opened on 6th January 2022. Snagging works on the new build are ongoing and external landscaping and demolition of the previous school are outstanding. The demolition of the old school building commenced in January 2022. Saint David's CiW Primary School new building opened on the 6th September 2021 and has a 210-pupil capacity. The demolition of the old school building is complete and replaced with the new car parking area. Phase 2 of the sustainable drainage system is yet to be completed and is awaiting SAB approval which is anticipated in February 2022. There are also ongoing snagging issues which are being addressed. It is anticipated the project will be complete in March 2022.
- 2.9 South Point Primary's new school building is on track for a school start date on 28th February 2022. Landscaping works will then continue along with some off site works relating to traffic regulation orders and refurbishment works to a pathway. The new school has a 210-pupil capacity. The new school is also the first net zero in operation school in Wales. The Saint Nicholas Primary School scheme has not started and is currently seeking planning consent for a revised scheme which provides a new school on the existing site with 126 pupil-capacity and 24 part time nursery places. The contractor has developed the revised scheme to deliver the proposal. The planning determination is anticipated in March 2022. Construction start date is provisionally planned for June 2022, with completion anticipated in June 2023.
- 2.10 Planning and SAB consent have been agreed for the Barry Waterfront scheme. The piling rigs for the ground works have been delivered to site and

site setup has started, the Consortium are aiming for completion in February/March 2023. The planning application for the Centre of Learning and Wellbeing proposal was approved in November 2021. However, a revised SAB scheme is awaiting approval. Site handover to Education was in January 2022 but transition of Neighbourhood Services moving off site is expected to continue to end of March 2022. Confirmation of the works contract is anticipated by April 2022 which will initiate the construction phase of the proposal with planned completion planned in Spring/Summer 2023.

- 2.11 A Planning application has been submitted for Cowbridge Primary School for the proposal and a determination is anticipated in February/March 2022. Delivery of the scheme is planned for Spring/Summer 2023. An outline planning application has been submitted for the Ysgol Y Deri Scheme. It is anticipated the proposal will be determined by February 2022, but this is dependent on when outstanding survey work is completed and submitted to the Local Planning Authority for consideration. The completion for the proposal is planned for the Summer 2023 with construction anticipated to start on site in June 2022, subject to the relevant planning consents.
- 2.12 Progress on the Penarth Primary Provision scheme is dependent on the housing allocation at Upper Cosmeston Farm coming forward. Currently Welsh Government have submitted an outline planning application for the residential scheme which includes land safeguarded for the primary school. A determination of this planning application is outstanding but is expected to be determined in 2022.
- 2.13 Costs for the Band B Programme have considerably increased due to a number of factors including additional remediation costs for the Centre for Learning and Wellbeing (CLWB) site and increased costs due to market changes for the CLWB, Barry Waterfront, Ysgol Y Deri and Cowbridge Primary School. A revised SOP is being submitted to Welsh Government in relation to the Barry Waterfront scheme for £560k, of which we have requested £280k additional Welsh Government grant that the Council has already funded in order to not delay the scheme. The Council's match funding of £280k has also already been included in the Capital Programme. The additional costs for Cowbridge Primary School, CLWB and Ysgol Y Deri expansion are currently estimated at £4.904m of which we anticipate requesting £3.515m additional Welsh Government grant through the full business case approval process. Of this the Council will be required to match fund £1.108m. The £1.108m is dependent on WG agreeing to fund the £280k for Barry Waterfront that the Council has already funded in order to not delay the scheme, if this is not refunded the match funding required will increase to £1.388m. Due to feasibility issues with the Penarth Nursery Provision scheme it is anticipated that the scheme will not progress under the Band B Programme. It is proposed a revised scheme could be considered under the next funding phase of the Sustainable Communities for Learning programme. Currently the Council is seeking advice from Welsh Government on whether the budget for the scheme can be incorporated into the overall programme to meet potential shortfalls in other schemes being progressed. This would also release £475k of internal funding which could be used towards the additional match funding the Council are required to find. Cabinet will be updated on the above when a

decision has been given from Welsh Government. The Council's match funding will be funded from the School Investment Strategy reserve

2.14 Costs have also increased within the St David's Primary School scheme and the Primary Provision in the Western Vale scheme. Both projects included a contingency amount to address unforeseen costs and potential increase in market values as the project progresses. However, for both projects the additional costs have increased beyond the contingencies within the budget. Regarding the St. David's Primary School project, the main increase relates to implementing the drainage scheme as during construction it was found that the majority of the phase 2 area contained significant amounts of rock which needed to be removed. In terms of Llancafarn Primary School (Primary Provision in the Western Vale scheme), the cost increase predominately relates to the need to re-level the site following the transfer of the land from Taylor Wimpey to the Council. Following a review of the programme, Whitmore High School and Ysgol Bro Morgannwg were identified as having surplus funding. These projects are in the last stages of development with the outstanding work already committed. Emergency powers have been used to vire surplus funds from Ysgol Bro Morgannwg and Whitmore High School to the Saint David's Primary School scheme and the Primary Provision in the Western Vale scheme as shown below:-

Projects	Additional Costs
St David's CiW Primary School	£132,890
Llancafarn Primary School	£137,140
Total	£270,030

Projects	Funded from
Ysgol Bro Morgannwg	£103,827
Whitmore High School	£166,203
Total	£270,030

2.15 The current breakdown of Band B schemes are shown in the following table:-

<b>Band B Schemes</b>	<b>£000</b>
Whitmore High School	30,038
Pencoedtre High School	33,889
Centre for Learning and Wellbeing	5,113
Ysgol Gymraeg Bro Morgannwg	21,456
Barry Waterfront	8,455

South Point Primary School (Primary Provision in the Western Vale)	5,427
Cowbridge Primary Provision	5,680
St David's Primary School	4,793
St Nicholas	5,010
Ysgol Y Deri Expansion	12,100
Penarth Primary Provision	4,185
Review Nursery Provision	1,362
Band B Contingency	7
<b>TOTAL</b>	<b>137,515</b>

## City Deal

2.16 The Vale of Glamorgan Council is a participant in the Cardiff Capital Region City Deal (CCR) which has been established between the UK Government, the Welsh Government and 10 local authorities in South East Wales. The agreement with the UK and Welsh Governments' provides £1.2 billion of which £734m is allocated to the Metro.

2.17 CCRD has four key objectives - 5% Gross Value Added growth, 25,000 high-order jobs, £4 billion leverage of public and private sector investment and demonstration of economic inclusion. To date, approved projects have the potential of achieving up to £1.5bn of leverage. Projects now coming to the fore such as Strength in Places, bring new public and private leverage through sources such as the UKRI Strength in Places Fund. CCR will continue to leverage both public and private funds and will build the partnerships and R&D intensity to continue generating successively high levels of private leverage.

2.18 The CCR has the following projects with approved Full Business Cases (FBC) and in delivery. CSC Foundry, Metro Plus, Outline Business Case-FBC work on Metro Central, Homes for all the Region, the Local Wealth Building Challenge Fund, the Graduate Scheme and Plasma Technology project. CCR also have a number of projects at OBC stage moving towards FBC stages: Pharma Data Technology, Outdoor Adventure Project, Strategic Premises Fund, Life Sciences Park Project, the SME Finance Fund (Housing), the SIPF Front of House Project and the Innovation Investment Fund. In addition to this, there are a number of other projects at early stages of Strategic Outline Case – examples of which include a Full Fibre to the Premise Project and battery technology development Project AMP, as well as cluster development projects for Fintech, Creative Industries and Cyber Wales – the latter for which are in the Strength in Places Fund final business plan preparation at this time. All of these projects and wider programmes of activity are likely to be deliberated on and where approved by Regional Cabinet – in delivery over the five year period.

2.19 At its Cabinet meeting on 31<sup>st</sup> January the Medium Term Financial Plan for 2022/23 which constitutes year 2 of the five year Strategic Business Plan approved in December 2020.

1. Build Back Better – playing our part in economic recovery and building resilience;
2. Becoming a City Region – strengthening regional economic governance;
3. Scaling-up and delivering the City Deal 'peak' Wider Investment Fund pipeline and programme;

4. Making the case for Levelling-up CCR;
5. Developing the plan for industrial-scale clusters and innovation-led growth.

2.20 Key priorities highlighted for 2022/23 are set out below;

- creating innovation strategies and action plans for our primary clusters;
- implementing the innovation investment fund;
- facilitating commitment to 3 significant £1m plus challenges;
- delivering Venture business propositions for 2 new skills opportunities;
- investing in 2 new strategic sites and premises opportunities;
- making an investment in a high value energy infrastructure proposition;
- crystallising commitment to a Northern Valleys Transformation Fund;
- implementing the Housing Viability and metro plus projects;
- implementing first stages of the CJC and developing a full transition plan;
- enhancing tools, technology, operating processes, risk management and reporting.

2.21 The total expenditure for the CCR 2022/23 Annual Business Plan is £46.281 Million. It is proposed that this level of expenditure is funded as follows:

- Draw down of HM Treasury Revenue Grant: £6.469 Million
- Draw down of HM Treasury Capital Grant: 36.600Million
- Draw down of Council Contributions: £3.2118 Million (The Vale of Glamorgan's Contribution in 2022/23 is £273k).

2.22 The Vale of Glamorgan's share of the estimated total costs (8.5%) is projected to be in the order of £17.9m and will be funded by unsupported borrowing with a 20 year repayment period.

2.23 Further detail can be found at [Cardiff Capital Region City Deal](#)

### **External Influences – Welsh Government**

2.24 Capital priorities can be established by the Welsh Government which are subsequently backed by additional resources via specific grants. Some recent examples of these are the 21<sup>st</sup> Century Schools programme, flood prevention schemes and the A4226 Five Mile Lane improvement scheme. Additional funding has also recently been provided from Welsh Government for highways improvements.

### **External Influences – Legislation**

2.25 Legislative changes can also impact future capital development as the Council may need to change the way in which it provides services and this may require the purchase of additional assets or the reconfiguration of existing assets.

2.26 The Energy Efficiency (Private Rented Sector)(England and Wales) Regulations 2015 made it unlawful from April 2018 to let residential or commercial properties with an energy performance certificate (EPC) rating of 'F' or 'G'(the lowest grades of energy efficiency). The regulations are enforced by trading standards. Penalties will be based on the rateable value of the property, up to a maximum of £150,000 per property. The current requirement is triggered upon the grant of a new lease but also upon lease renewals, sub-letting and assignments. The scheme will be

extended on 1<sup>st</sup> April 2023 to cover all leases, including where a lease is already in place. There are certain exemptions however the majority of the Council's leased out portfolio will be within scope. The scale of the total investment required is unknown as measurement standards continue to evolve. Where a property has required upgrading work, the Property Section has worked closely with the assessor to choose measures that have helped with the compliance but also compliment the asset from a maintenance perspective moving forward. The future evolution of the scheme will be closely monitored as it is expected that further extensions or changes to the scope may be announced. The full impact will need to be assessed to identify future capital requirements and provision will need to be made in the capital programme as necessary.

2.27 The Council has a duty to ensure that buildings under its control comply with appropriate statutory, regulatory and corporate standards. To protect both workers and the public the Council regularly inspects its premises and monitors compliance with Health & Safety legislation. Compliance legislation covers a wide range of aspects which have a service/maintenance requirement or form part of on-going risk assessments. The aim is to ensure the Council operates from fully compliant buildings and that all premises responsible officers are able to update the data held in relation to frequency testing.

### **External Influences – Collaboration**

2.28 Of growing importance both nationally and locally is collaborative and joint working as a driver to improving service delivery and reducing costs. There are a number of ways in which the Council is driving the collaborative agenda. The Community Asset Transfer (CAT) Protocol identifies when the Council can consider the transfer of an asset and how local communities could register an interest in taking over a Council owned property. The Council's CAT protocol was revised and approved by Cabinet on the 16<sup>th</sup> December 2019.

2.29 Further details can be found at [Community Asset Transfer Guidance 2019-23](#).

### **External Influences – Consultation**

2.30 The Council's annual budget consultation exercise ran from 3 December 2021 until 17 January 2022. In 2021 it was decided that the annual budget consultation on its draft budget should run in conjunction with the consultation on the draft annual delivery plan, which gave respondents an opportunity to first comment on our priorities and how the Council intends to meet the wellbeing objectives over the next 12 months and then to comment on how the Council should prioritise spending.

2.31 The consultation was published as an online survey, with the option for residents and stakeholders to give their views via the telephone. The online survey was widely promoted via the Council's Twitter and Facebook channels and received a high level of reach and engagement on both platforms.

2.32 The consultation was also promoted to a wide range of stakeholders both via email and as part of the Council's consultation circular, Vale Viewpoint. A press release was launched, which was picked up by local media outlets.

2.33 There were 342 responses to the online survey in total, which is an improvement on last year where only 16 responses were collected. This year, additional care was taken when presenting the content of the budget consultation to ensure it was more accessible to stakeholders.

2.34 In summary it was agreed that Capital funding should be prioritised into Care and Support which constitutes investing in residential homes and Social Services Facilities, enhancing facilities to support additional learning needs and support emotional and social wellbeing for children and young people. It was also agreed that Hardship should be prioritised which constitutes schemes to tackle homelessness and create employment opportunities, however respondents voted for Infrastructure as their third preference which constitutes the 21<sup>st</sup> C School Programme, resurfacing, flood risk management and contributions to planning, transport and economic development.

### **3 RESOURCES TO FINANCE CAPITAL EXPENDITURE**

- 3.1 There is a variety of funding available to finance capital expenditure. This section outlines the different types of funding available, potential providers and any financial implications of that method of financing.

#### **General Capital Funding – Welsh Government**

- 3.2 This consists of 2 elements. Welsh Government provides the Council with a General Capital Grant. In addition the Council is advised of a level of borrowing that the Welsh Government is prepared to fund via the Revenue Support Grant settlement, this allowance is known as supported borrowing.
- 3.3 On 21st December 2021, the Welsh Government announced the provisional 2022/23 General Capital funding settlement which was £5.829m, being made up of £2.378m grant and £3.451m of supported borrowing. This is a decrease of £1.038m from the 2021/22 funding of £6.867m.
- 3.4 Within the settlement it has been advised that General Capital Funding for 2022/23 for Wales as a whole will be set at £150 million. This will increase to £200m for the following two years, including £20m in each year to enable authorities to respond to our joint priority of decarbonisation.
- 3.5 As no further indication has been received from Welsh Government, it has been assumed that from 2025/26 onwards, the level of capital funding will revert back to the same level as set out in the 2022/23 Provisional Settlement and will then remain constant for the remainder of the period of this programme.

#### **Major Repairs Allowance – Welsh Government**

- 3.6 The Welsh Government issues a Major Repairs Allowance (MRA) to the Council as a grant which is to be used for any capital expenditure on Housing Revenue Account (HRA) assets. This has contributed to the Council's achievement of the Welsh Housing Quality Standards in March 2018. The MRA for 2022/23 has not yet been announced by the Welsh Government but for this Strategy it has been assumed that the grant remains at £2.770m per annum as received in 2021/22.

#### **Specific Grants – Welsh Government**

- 3.7 The Welsh Government provides the Council with specific grants for priority areas. These grants are allocated to the Council either as a result of submission of specific bids or via a formula allocation. New grants to be received into the programme are as follows:-
- 3.8 **Highway Refurbishment Fund** - This is a road refurbishment programme that provides vital new investment for the Council's roads. The Council was provided with a grant of £749k in 2019/20, £752k in 2020/21 and £755k in 2021/22. In 2021/22 additional general capital funding was allocated to the Vale of Glamorgan Council of which £500k will be used for resurfacing and a further £1m will be carried into 2022/23 Capital Programme for resurfacing taking total funding for resurfacing in 2022/23 to £2.3m.

3.9 **SALIX** - Work can be undertaken through the use of the Welsh Governments interest free SALIX funding which to implement various energy saving projects.

3.10 **ICF** – The Council currently receives additional Capital funding as part of the ICF funding programme for community health and social care centres and hubs, to develop accommodation that is able to meet the needs of those requiring care and support. From 2022/23 this funding will cease and replaced by a new funding scheme called the Regional Integration Fund (RIF). The Capital element of this has not yet been announced.

3.11 It is estimated that over the next 5 years the Council will receive grant funding from WG for Sustainable Communities for Learning Programme, Flood Defence and Structures work, including finalisation of the Five Mile Lane Improvement scheme. Some of these schemes may require a match funding contribution to be made by the Council which is built into the capital programme. It is not possible to predict and plan for any other grants beyond this period.

### Unsupported/Prudential Borrowing

3.12 If the Council decides to borrow in excess of the amount specified by the Welsh Government then it may do so and this type of borrowing is known as unsupported or “Prudential Borrowing”. The cost of this borrowing must be funded through the Council’s revenue budget and therefore will need to be identified prior to the approval and inclusion of a scheme into the capital programme. The Council currently uses unsupported borrowing to fund the Schools Investment Programme, Housing Improvement Programme, the purchase of specialist vehicles, Salix Street Lighting Energy Reduction Strategy, City Deal and the schemes financed under the Local Government Borrowing Initiative. The table below sets out the anticipated new Prudential Borrowing the Council will undertake over the next 5 years.

<b>Scheme</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>General Fund</b>						
Sustainable Communities for Learning Programme	3,324	1,315	2,983	0	0	7,622
City Deal	273	4,373	2,289	0	0	6,935
Vehicles	963	364	0	0	0	1,327
Buttrills Changing Rooms	0	500	1,000	0	0	1,500
<b>Total General Fund</b>	<b>4,560</b>	<b>6,552</b>	<b>6,272</b>	<b>0</b>	<b>0</b>	<b>17,384</b>
Housing Revenue Account	16,056	26,681	12,418	6,059	8,170	69,384
<b>Total New Borrowing</b>	<b>20,616</b>	<b>33,233</b>	<b>18,690</b>	<b>6,059</b>	<b>8,170</b>	<b>86,768</b>

3.13 After allowing for repayments, the balance of Prudential Borrowing as at 31<sup>st</sup> March 2021 is expected to be £31.005m of which £16.945m is HRA. At the end of the

Capital Programme period (31st March 2027) the outstanding prudential borrowing taking into account repayments is expected to be £24.552m for the General Fund and £80.616m for the Housing Revenue Account.

### Contributions from Revenue and Reserves

3.14 Capital expenditure can also be funded by revenue contributions or the utilisation of existing reserves. Reserves are sums of money that have been set aside by the Council for a specific purpose. A number of reserves are used to fund the Capital Programme and the main ones are shown in the table below.

<b>Reserve</b>	<b>Purpose</b>	<b>Balance as at 31<sup>st</sup> March 2021 £000</b>
Schools Investment Strategy	To fund Band B and other school investment	8,564
Council Building Fund	To maintain Council buildings	5,889
IT Fund	To allow investment in the Council's IT infrastructure	3,980
Capital Economic Regeneration Reserve	To finance capital economic regeneration schemes	456
Economic Regeneration and Growth Fund Reserve	This fund is to be used to finance capital and revenue projects, with repayment of such advances being credited back to the fund where appropriate. £2.2M of this reserve is earmarked to support the Non Treasury Service Economic Regeneration and Growth Fund	2,354
Vehicle Repairs and Renewal Fund	To replace the Council's vehicle fleet	1,744
Capital Schemes Reserve	To fund Capital Schemes	3,075
City Deal	To fund the Council's contribution towards the City Deal	1,898

3.15 The Economic Regeneration and Growth Fund reserve will be to support a non-treasury service investment programme to support regeneration and recovery through economic development and green infrastructure schemes. which is intended to address opportunities identified in the Council's Recovery Strategy to support innovative business and economic regeneration, increase capital programme investment and focus on green jobs and green infrastructure. The Economic Regeneration and Growth Fund is to be funded using £2.2m of the Economic Regeneration and Growth Fund reserve and with provision for up to £10m Prudential Borrowing. The fund for Investment totals £12m with £200k earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice

3.16 Over recent years substantial funding has been transferred into the Schools Investment Strategy reserve in order to fund the Band B 21<sup>st</sup> Century Schools programme however as the scheme progresses this reserve will be utilised. It is anticipated that over the next 5 years reserves of over £17m (excluding HRA reserves) will be used to fund capital expenditure.

### **Capital Receipts**

3.17 Capital expenditure is also financed through receipts resulting from the sale of Council assets.

3.18 Receipts from the sale of HRA assets can only be spent within the HRA and cannot be used to finance General Fund capital schemes. However, the Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 gained Royal Assent on 24 January 2018. The provisions in the Act means abolition of the rights came into force on 26 January 2019 however there are some exceptions. No HRA receipts have therefore been assumed in the Housing Business Plan. Any HRA capital receipts received in a year were previously used to fund capital expenditure in that year and therefore as at 31<sup>st</sup> March 2021 the Council did not hold a balance of HRA receipts. The reason for this is to reduce the level of borrowing within the HRA.

3.19 Currently, the Council only uses receipts from the sale of vehicles to fund the purchase of other vehicles. Any capital receipts from the sale of vehicles received in year will be used to part fund the purchase of vehicles within that financial year. The reason for this is to reduce the level of borrowing used to fund the purchase of vehicles. Therefore as at 31<sup>st</sup> March 2021 the balance of vehicle capital receipts was zero.

3.20 Council Fund receipts are normally held for use across all non HRA service areas however they may be approved by Cabinet to be ringfenced for specific purposes. Receipts have been specifically ring fenced for Social Services and the School Improvement Programme.

3.21 In order to support the generation of capital receipts, the Council has a Disposal Protocol which sets out the key determinants for identifying an asset as surplus which are :-

- Evidence that a higher value for an alternative use can be achieved;
- The asset no longer contributes to service delivery; and
- The asset has no potential for a regeneration use.

3.21 It is a challenging time to dispose of surplus assets, and predicting future capital receipts remains a difficult and uncertain process, especially with the current economic uncertainty following Britain's exit from Europe and the impact of the COVID-19 pandemic. This is particularly the case with higher value development sites which require property expertise to exploit the potential a site may offer and ensure we achieve best consideration in line with our statutory and fiduciary duties. No significant Council Fund or ring-fenced Social Services capital receipts have been anticipated going forward. Work will however be undertaken to dispose of surplus assets when they become available.

3.22 Two capital receipts are estimated to be received for Education assets between 2022/23 and 2026/27, however any income from Capital Receipts received will be ring fenced for the School Investment Programme.

### **Other External Contributions**

3.23 The current Capital Programme includes various sources of external funding which are not from Welsh Government, the main being contributions received via S106 agreements. Funding and contributions to capital schemes can also be made available from the Arts Council of Wales, Natural Resources Wales, Sports Wales and Community Councils.

## **4 PRIORITISATION OF CAPITAL REQUIREMENTS**

4.1 The requirement for capital investment will always be greater than the funding available to the Council, particularly in times of reducing funding. This section outlines the process the Council has adopted to prioritise funding so that it is directed to support the key priorities of the Council.

### **Capital Programme Approval Process**

4.2 By the end of September each year, services are asked to confirm any amendments/reprofiling of approved capital schemes. In addition, services can submit capital bids for new schemes that may be required over the next 5 years for consideration and these bids are evaluated and prioritised by the Insight Board. The Insight Board is a group of senior officers covering all service areas who oversee the delivery of the Council's range of integrated planning activity. The Insight Board uses a number of criteria to prioritise the capital bids as outlined below. The recommendations of the Insight Board are then reviewed by the Budget Working Group which comprises the Leader and Deputy Leader, the Managing Director and the Head of Finance. Initial capital proposals are usually presented to Cabinet in November and are then submitted to Scrutiny Committees for consultation. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and considers both the initial capital proposals and any recommendations that other Scrutiny Committees have made.

4.3 Consultation regarding budget issues is also undertaken with the Vale's residents and other partners e.g. Town and Community Councils.

4.4 After taking into account the results of consultation and the Final Settlement from Welsh Government, Cabinet will make its final proposals during February, which will then be presented to full Council for final approval prior to the 11<sup>th</sup> March of that year.

### **Assessment of Capital Bids**

4.5 When setting the capital programme the following principals are applied.

- Only capital bids that are deemed to meet the criteria of higher corporate priority and/or risk should be progressed;
- All bids need to reflect full costs including purchase costs and a level of fees as appropriate;
- Bids need to include all lifetime revenue implications e.g. maintenance, management costs and potential income;
- The Capital Programme is set with regard to the key themes as outlined in the Corporate Plan;
- The Capital Programme proposals should maximise the availability of resources to address the Council's priorities; and
- Only bids that are for specific schemes will be included into the Capital Programme, general bids will not be included. This will help to reduce the slippage within the programme.

## Risk

4.6 A risk assessment is undertaken for each bid, in line with the Council's Corporate Risk Management Strategy using the following matrix.

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

## Corporate Priority

4.7 The bids are then reviewed against the following criteria to assess corporate priority. Where bids are rated an A or B on the criteria listed below there would clearly be a legal obligation to ensure that works are progressed in a timely manner within the confines of the funding available. Schemes that represent an invest to save opportunity or support the achievement of corporate priorities are also prioritised using the criteria.

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

## Future Generations Act

4.8 Bids are also reviewed for the contribution they make towards the 5 ways of working to demonstrate commitment to the Well-being of Future Generations Act. Each scheme is awarded one point for every one of the outcomes that it meets to a maximum of 5.

## Sustainability

4.9 Sustainability is one of the main strands of the financial strategy for capital and bids are also evaluated by the Insight Board for Sustainable Development, with a view to ensuring that wherever possible the sustainable targets are addressed. The four areas of Sustainable Development considered are:

- Living within environmental limits;
- Ensuring a strong, healthy and just society;
- Achieving a sustainable economy; and
- Promoting good governance.

4.10 The Council will ensure that all large Council Capital Projects are BREEAM (the design and assessment method for sustainable buildings) excellent rated.

## **5 TREASURY MANAGEMENT**

- 5.1 Treasury Management is the management of an organisation's borrowing, investments and cashflows, its banking, money and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. This section outlines the governance process followed by the Council, a long term projection of the required level of borrowing, both internal and external and the assessment of its affordability.
- 5.2 The Council's Treasury Management and Investment Strategy for 2022/23 is to be presented to Cabinet on 28<sup>th</sup> February 2022 and will provide further details to those contained in this section of the Capital Strategy.
- 5.3 CIPFA published revised codes of Practice on 20<sup>th</sup> December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year, which are required to be taken to Full Council for approval. The implications of the revised code are set out in the Treasury Management Strategy.

### **Treasury Management Governance**

- 5.4 Before 31<sup>st</sup> March each year the Section 151 Officer presents to Audit Committee, Cabinet and full Council, the Treasury Management Strategy, which includes the Treasury Management Prudential Indicators for the forthcoming three years, the Annual Investment Strategy for the following year and monitoring as at 31<sup>st</sup> December. A mid-year review report is also presented to Cabinet during November. As soon as possible after the end of the financial year a report outlining the out-turn for the previous year is presented to Audit Committee, Cabinet and full Council.
- 5.5 Decisions on Treasury Management are made daily and therefore delegation is given to the Section 151 Officer. Under the Council Constitution delegated authority has been granted to the Section 151 Officer to :-
- Take all Executive decisions on borrowing, investment or financing in accordance with the Council's Treasury Management policy;
  - To borrow and lend money to maintain the Council's bank balance within the overdraft limit agreed with the Council's bankers;
  - The use of supported and unsupported borrowing; and
  - The amount of money to be charged to revenue, above the minimum required, relating to the repayment of debt, and to finance capital expenditure.

### **Borrowing Strategy**

- 5.6 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

5.7 Capital expenditure will be funded from a mixture of internal and external borrowing. The Council had a balance of internal borrowing of £46.028m as at 31st March 2021, with external borrowing at that point being £152.735m. The balance of the Authority's usable reserves and working capital can be utilised for internal borrowing or investment. As these reserves start to be spent over the coming years in line with forecasts, the position will need to be monitored carefully and the level of external borrowing will increase. The Council's Treasury Management advisors, Link Asset Services, state that given the current, low investment yields, internal borrowing should be utilised however given the current rising PWLB rates and Bank rate this approach will be kept under review. The Treasury Management Strategy outlines the sources the Council can borrow from but borrowing would usually be from the Public Works Loan Board (PWLB).

5.8 The UK Government announced plans to lift the HRA borrowing cap and agreed for the cap to be fully abolished in Wales. This agreement came into force from 29<sup>th</sup> October 2018, additional HRA indicators are required to be completed annually and submitted to WG.

### **Prudential Indicators**

5.9 In setting the Capital Programme, the Council must ensure that the Prudential Code is complied with, which has been developed by CIPFA as a professional code of practice.

5.10 To comply capital investment plans should be :-

- Affordable;
- All external borrowing and long term liabilities are within a prudent and sustainable level; and
- Treasury management decisions are taken in accordance with good professional practice.

5.11 To demonstrate the Council has fulfilled these objectives, the Code sets out prudential indicators that should be used and the factors that must be taken into account.

### **Capital Expenditure**

5.12 A 5 year capital programme has been proposed covering 2022/23 to 2026/27 as shown in the following table.

<b>Capital Expenditure</b>	<b>2022/23</b>	<b>2023/2</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Learning & Skills	20,381	19,983	8,779	600	600
Social Services	180	100	100	100	100
City Deal	273	4,373	2,289	0	0
Environment & Transport	17,937	2,674	2,810	1,810	1,810
Place	5,801	1,607	1,450	1,450	1,450
Resources	856	3,777	3,934	2,969	2,969
HRA	39,778	40,345	23,726	18,131	20,622
<b>Total</b>	<b>85,206</b>	<b>72,859</b>	<b>43,088</b>	<b>25,060</b>	<b>27,551</b>

## Capital Financing Requirement

5.13 The Capital Finance Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used. The table below shows that the Council's CFR is expected to increase over the next 5 years.

<b>CFR at 31st March</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Non HRA CFR	123,665	130,233	136,188	135,111	134,004
HRA CFR	92,518	117,257	127,196	130,525	135,839
<b>Total CFR</b>	<b>216,183</b>	<b>247,490</b>	<b>263,384</b>	<b>265,636</b>	<b>269,843</b>

5.14 The Council should ensure that gross external debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. The table below shows the projected Gross External Debt.

<b>Gross External Debt</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Brought forward 1 April</b>	<b>152,816</b>	<b>176,411</b>	<b>212,715</b>	<b>234,555</b>	<b>243,387</b>
<b>Carried forward 31 March</b>	<b>176,411</b>	<b>212,715</b>	<b>234,555</b>	<b>243,387</b>	<b>254,192</b>
In Year Requirement	(23,595)	(36,304)	(21,840)	(8,832)	(10,805)

5.15 The following table shows the projections for the level of internal borrowing for the coming years, the amount of internal borrowing is reducing inline with the Council's projections of reserves to ensure that core cash is available to support the Council's operations.

<b>Internal Borrowing</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
<b>Brought forward 1 April</b>	<b>44,804</b>	<b>39,772</b>	<b>34,775</b>	<b>28,829</b>	<b>22,249</b>
<b>Carried forward 31 March</b>	<b>39,772</b>	<b>34,775</b>	<b>28,829</b>	<b>22,249</b>	<b>15,651</b>
<b>In Year Requirement</b>	<b>5,032</b>	<b>4,997</b>	<b>5,946</b>	<b>6,580</b>	<b>6,598</b>

### **Affordable Borrowing Limits**

5.16 The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003 and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the Treasury Management strategy report each year. The Council must set its authorised limit for external debt each year and also a lower Operational Boundary.

5.17 The proposed Operational Boundary for external debt is based upon estimates of the most likely, prudent, but not worst case scenario. The Operational Boundary links to the authority's plans for capital expenditure, estimates of capital financing requirement and the estimate of cashflow requirements for the year. This is the expected maximum limit for external debt. It acts as a warning level should debt start approaching this limit. The Operational Boundary for external debt is shown in the following table:-

<b>Operational Boundary</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Borrowing	230,785	264,384	277,743	279,002	286,238
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>230,785</b>	<b>264,384</b>	<b>277,743</b>	<b>279,002</b>	<b>286,238</b>

5.18 The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. It is not a limit that the Council will expect to borrow up to on a regular basis and provides headroom over and above the Operational Boundary.

<b>Authorised Limit</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Borrowing	241,693	274,792	288,151	289,410	296,645
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>241,693</b>	<b>274,792</b>	<b>288,151</b>	<b>289,410</b>	<b>296,645</b>

### **Minimum Revenue Provision (MRP)**

5.19 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge which is known as the Minimum Revenue Provision (MRP). Additional voluntary payments can also be

made above this level. The MRP can be calculated in a variety of ways. Welsh Government regulations have been issued which require the full Council to approve an MRP Statement in advance of each year and this is achieved as part of the Treasury Management Strategy.

- 5.20 The Council's method for calculating MRP differs depending on whether the borrowing is supported or unsupported. For supported capital expenditure the Council will implement the "Asset Life Method". MRP will be determined by charging the expenditure over the expected useful life of the average asset lives (40 years) of the (Non HRA) Council Assets in equal instalments, starting in the year after the asset becomes operational.
- 5.21 MRP will be charged at 2% of the outstanding Housing Revenue Account (HRA) Capital Financing Requirement in respect of housing assets. For debt incurred from 2021/22 onwards the HRA will move to an Asset Life method (50 years) for calculating the Minimum Revenue Provision.
- 5.22 For unsupported capital expenditure incurred after 31st March 2008, the Council will also implement the "Asset Life method". MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational.
- 5.23 Further detail is contained in the Council's Treasury Management and Investment Strategy for 2022/23.

### **Investment Strategy**

- 5.24 The Council's Investment Strategy is low risk, the priorities being security first, portfolio liquidity second and then yield (return). The Investment Strategy sets criteria to determine suitable organisations with which cash may be invested and limits on the amount of cash that may be invested with any one organisation. In 2022/23 the Council will place investments with the Debt Management Account Deposit Facility (DMADF) of the Bank of England and UK Treasury Bills which are guaranteed by the UK Government, with UK Local Authorities (including Police and Fire Authorities), in Money Market Funds, in Instant Access Accounts and in Corporate Notice Accounts. The Council may consider the use of other deposit arrangements in accordance with the investment limits and counterparties set out within this strategy.
- 5.25 The Council introduced the use of Money Market Funds with Federated and CCLA and Deposit accounts with Lloyds Bank as part of the investment portfolio during 2020/21. On 8th December 2021 the Council opened 3 corporate notice accounts (35, 95 and 180 day) with Santander PLC. Investments yield a more favourable rate of interest on the initial deposit and then a lower yield when the appropriate period of notice is requested. The maximum total investment that can be placed with Santander PLC at any time is £10m. Investments totalled £23.410m at 31st March 2021.

## **IFRS 16 Leasing**

5.26 The CIPFA code currently sets out that from 1<sup>st</sup> April 2022 IFRS 16, which deals with the way the Council accounts for its lease arrangements, will be introduced. The revised accounting code requires significant changes for how the Council accounts for contracts that convey the right of use of an asset for a period of time. Whereas the Council currently accounts for all its lessee lease arrangements through revenue income and expenditure, under the new arrangement the Council will be required to calculate a right of use asset and a corresponding liability which will be included on its balance sheet. The liability will increase the Council's CFR and the Council will need to charge MRP which will in practice be equivalent to the principal of the lease. Despite the extensive accounting requirements and disclosures, this change of accounting policy will not impact the bottom line of the accounts. It will however have an impact on the Prudential indicators and MRP estimates included in this Strategy. CIPFA is currently out to consultation on a proposal that includes delaying leasing for 1 year. In the context of this proposed delay the Council continues to undertake an assessment of the likely right of use assets and liabilities associated with the Council's leases and embedded lease arrangements is currently being undertaken and it is intended that revised indicators that incorporate these estimates are reported as part of the Treasury Management Strategy for 2022/23 will be brought if required and if not will be incorporated into the strategy for 2023/24.

5.42 Further detail can be found at Treasury Management Strategy.

## 6 DECARBONISATION

- 6.1 The Council understands the importance of decarbonisation to help protect and sustain the Environment over the long term and in line with its Climate Emergency declaration is working and investing in measures to reduce its CO2 emissions. The projects detailed below reflect the work the Council is undertaking as part of Project Zero and commitments in the Council's Climate Challenge Plan. The Plan details eighteen challenges including transport, planning and regeneration, our land and buildings, housing and schools.
- 6.2 The Council is carrying out the following measures to take steps towards decarbonisation:-
- 6.3 The Council has continued to improve the energy efficiency of its housing stock to meet the requirements of Welsh Government legislation in relation to decarbonisation and the Welsh Housing Quality Standard (WHQS). With original targets being set to reduce the carbon footprint by 80% by 2030 this has now been revised to a target of EPC A by 2030 for all social homes following the recommendations of the "Better Homes, Better Wales, Better World" report in July 2019. Revised targets were agreed by the Senedd in March 2021 for Wales to achieve 'net zero' by 2050.
- 6.4 The 21<sup>st</sup> Century Schools programme is committed to contributing to the decarbonisation agenda. Prior to Welsh Governments declaration that all new schools would be Net Zero Carbon, the 21<sup>st</sup> Century Schools programme was delivering carbon reduction measures as part of its projects. The programme has produced a Sustainability Framework and identified the following key processes and enabling structures have been identified and reviewed to ensure the programme can deliver low and net zero carbon school buildings:
- Project structure and contractual process.
  - Soft Landings and Commissioning
  - Performance in Use measurement
  - Operational management and measurement
- 6.5 The carbon reduction measures are built into the fabric of the build but the costs of these measures to the overall project can be identified. Following the declaration of the delivery of Net Zero Carbon Schools for new projects in Wales, the programme has needed to be reviewed to understand the cost implications to the outstanding projects. The Council has developed a primary school design which achieves net-zero (operational) carbon (Llancarfan Primary School), supporting Welsh Government's Low Carbon Delivery Plan and achieving a net-zero public sector by 2030. Existing primary school designs have been amended to maximise solar gain, improve insulation, increase use of renewables (including battery storage), and install air source heat pumps. There is an additional cost associated with the delivery of net-zero carbon which has been identified using the Llancarfan Primary School as a basis to better understand the uplift in costs associated with delivering Net Zero Carbon. The uplift costs range between £600,000 to £850,000 for new primary schools depending upon the scale of the development. This will be monitored to reflect market changes in costs as the programme progresses.

- 6.6 The Council has organised a decarbonisation sub-group to drive the reduction of carbon emissions as part of the 21st Century Schools Programme. This group has created a Sustainable Building Project - Materials Elements to monitor costs for carbon reduction measures, undertaking a school energy review to identify where carbon reduction measures would be of most benefit and the costs required to implement the measures and a Schools Sustainability Forward Plan has been created to help direct progress on carbon reduction measures which focuses on the following key themes: Energy, Community Benefits, Ecology and Transportation. A report has been developed recommending target areas for improvements - including potential funding requirements.
- 6.7 Stanwell Comprehensive School has received a number of energy saving improvements including a lighting upgrade to LED, a school boiler optimiser, upgrade of heating control to an online Building Management System, a hot water control system, fridge freezer optimisers and boiler replacements. The effect of all these measures has resulted in the site electricity consumption for Stanwell School being reduced by 30% with savings in emissions of approximately 75 Tonnes of CO<sub>2</sub>.
- 6.8 Decarbonisation Programme - A variety of energy reduction measures and renewable energy installations have been identified across a number of assets within the councils portfolio. A delivery programme which complements the Welsh government zero carbon by 2030 target and the councils own Climate Emergency Declaration is being prepared which will lever in as much funding as possible from various external sources including Interest free Salix loans.
- 6.9 PV panels are being installed in three schools, Evenlode Primary School, Llansannor Primary School and Ysgol Gwaun Y Nant. The PV systems installed to date on other buildings have been proven to be reliable generators of renewable electricity and are a proven technology towards the Council's net zero goal. The works are currently out to tender and it is anticipated that works will start on site in March and will be completed by the end of March 2022. £85k has been included in the 2021/22 Capital Programme for these works. PV have also been installed at Saint Brides CiW Primary school during 2021/22.
- 6.10 Cadoxton Sports Hall is also planned to benefit from LED lighting and occupancy sensor control in the hall before the end of March 2022. This will result in reduced running costs, electricity consumption and carbon emissions.
- 6.11 A School's Decarbonisation LED scheme with a budget of £120k has been included in the 2022/23 Capital Programme. The scheme will provide LED Lighting in Rhws, Sully and Peterston Super Ely CIW primary schools. This scheme will improve the learning environment for the children and will be a small contribution towards net zero by reducing the carbon emissions of lighting the schools.
- 6.12 £215k is being held in the Carbon Vehicles Reserve for the purchase of Electric pool cars . The Council has been working with the Welsh Government Energy Service, Carbon Trust and Energy Saving Trust to evaluate the integration of electric vehicles into the pool car fleet and the best methods and specifications for the charging infrastructure. The report's conclusions and recommendations show that electric

vehicles can be used to pick up over 90% of the Council's pool car journeys if implemented correctly. Other than the savings in CO<sub>2</sub> and fuel costs, the switch to EV is driven by Welsh Government policy. The Council has a duty under the current Welsh Government Carbon reduction Plan Prosperity for All: A Low Carbon Plan which states: "All new cars and light goods vehicles in the Public Sector fleet are ultra-low emission by 2025 and where practicably possible, all heavy goods are ultra-low emission by 2030".

- 6.13 A grant made available by Energy Services Wales (through Welsh Government) to cover the difference in cost between a diesel and electric vehicle has been made available to the Council recently, following an application, with spend and delivery of vehicles needing to be complete by 31<sup>st</sup> March 2022. This has accelerated the transition process. The grant amount available means the Council will only need to spend £175,083.00 of the ring fenced reserve to purchase 12 electric vehicles which will sit within the pool car fleet. This will be added to the Capital Programme once an award letter has been received.
- 6.14 These 12 vehicles, Hyundai e-Kona's, will replace at least 12 of the current diesel vehicles. An additional usage study will determine if more diesel vehicles can be removed from the fleet in quarter one of 2022/23.
- 6.15 Plans to increase the number of public electric vehicle charging points are being progressed as part of funding accessed through Cardiff Capital Region, with a number of key sites including council owned car parks being considered in a phased roll out over the next 12 months. Alongside this, work is being undertaken to establish an on street charging policy with the assistance of an ULEV grant. The Council's fleet and workplace charging is also being addressed with the installation of charging points planned for main office locations and outlying depots using WLGA Funding of £300k. This will be committed before the end of the financial year, emergency powers will be requested when profiling is known. There is also a budget of £32k in the 2021/22 Capital Programme for the installation of vehicle charging infrastructure at the Civic offices and Alps Depot.
- 6.16 £1.690m has been built into the 2022/23 Capital Programme for the Atlantic Trading Estate Fleet Parking scheme, this scheme is to develop land on Atlantic Trading Estate (ATE), Barry to accommodate Neighbourhood Services operations Waste and Recycling collection vehicles. In order to complete the scheme further funding will be required and a bid is being submitted to WG to request grant funding. The proposal to develop fleet parking on Atlantic Trading Estate (ATE) opposite the Council's Resource Recovery Facility (Currently under construction) would reduce the daily impact that the collection fleet has on the environment, in terms of tailpipe emissions as well as increasing the productivity of the service, giving more productive time spent kerbside collecting. In terms of carbon saving, the difference is fuel use between the projected collection rounds (including the proposed rounds for the final rollout phase for blueprint collections) and rounds modified to account for the ATE development and shown in table 1 below:

Total Fuel use - litres			
Collection	Proposed - Garaging at Wenvoe	Proposed - Garaging at ATE	Difference
Recycling	109,174	100,296	8,878
Residual	72,063	64,412	7,651
Green Waste	61,287	54,371	6,917
Total	242,524	219,079	23,445

6.17 Converting the carbon benefit using the UK Government's Greenhouse Gas conversion factor for Diesel (Average biofuel blend) to demonstrate the saving, the rate of 2.51233 kg CO<sub>2</sub>e per litre was used. The total annual vehicle emissions are shown for both options in table 2, along with the difference resulting from the relocation of the collection fleet, to ATE. It can be seen therefore that relocation of collection fleet would result in an annual Carbon saving of approximately 59 tonnes CO<sub>2</sub>e.

Total emissions - Tonnes CO <sub>2</sub> e			
Collection	Proposed - Garaging at Wenvoe	Proposed - Garaging at ATE	Difference
Recycling	274	252	22
Residual	181	162	19
Green Waste	154	137	17
Total	609	550	59

6.18 BSC2 – The council has installed its first air source heat pump into the building in order to reduce its carbon footprint by shifting away from fossil fuels. Air source heat pumps are powered using electricity and are considered a form of low carbon or renewable heat source offering efficiencies of up to 300% depending on conditions. The systems uses larger radiators which operate at lower temperatures to heat the building more efficiently. The system became operational in September 2020 and commissioning was completed in January 2021. This installation offered an opportunity to prove that the new technology works and for council officers and contractors to build expertise in installation, operation and maintenance, as the scheme has been a success air source heat pumps will now be rolled into future projects.

6.19 Penarth Leisure Centre Boiler Renewal – A scheme to replace the ageing inefficient boilers at the site is due for completion by March 2021. Newer high efficiency boilers have been installed which have increased operating efficiencies from 60% to 90%. The system was also redesigned in order to better utilise heat which is produced from the existing combined heat and power unit (CHP). Alongside this better controls are being installed to allow for the buildings occupation and outside temperatures to be accounted for.

6.20 Barry Leisure Centre Boilers – The current installation at Barry Leisure Centre already benefits from a combined heat and power unit (CHP) which generates electricity whilst contributing to the heating demand at the property which was

installed in 2011. This has been a very successful addition to the building and has lowered the buildings running costs. However, the main boilers are inefficient and have regular maintenance issues, so a scheme has been designed with more efficient boilers and better controls which will be completed by March 2023.

6.21 The Council has a number of earmarked reserves that can be utilised to support the delivery of Project Zero as set out below. The balances given are projected at the 31<sup>st</sup> March 2022:-

- Green Infrastructure and Climate Change Reserve £650k – To date there are no commitments against this reserve, the funding could potentially be used as match funding for wider schemes.
- Ash Die Back Reserve £600k – There is a £100k annual commitment from this reserve built into the capital programme for the next five years which includes a replanting programme.
- Project Zero Reserve £500k - To date there are no commitments against this reserve.
- Energy Management Reserve £263k – This reserve includes the Salix recyclable fund but also includes energy management income.
- Carbon Vehicle Reserve – As detailed above.

6.22 Within revenue there is an annual Carbon Reduction Commitment budget of £204k, under the former Carbon Reduction Commitment scheme the Council was required to purchase allowances reflecting the Council's carbon usage in year. This scheme has ceased and no replacement allowances scheme has been proposed. This budget is currently being utilised by the carbon management team as a contribution to capital to the elements of schemes that do not meet the Salix repayment criteria, the majority of which are in schools. The balance of this budget will be transferred into the Energy Management Fund at year end. In the longer term it is thought this fund could be utilised to fund borrowing costs as part of funding/ or match funding for larger green infrastructure schemes. Estimated that circa £3m could be funded however scheme must meet PWLB permitted borrowing costs.

6.23 All schemes progressed as part of the Capital Programme proposals set out the decarbonisation considerations that will be taken into account as part of progressing the bids. The Council is looking to include explicit consideration of the impact on climate and nature emergencies as part of future approaches to monitoring although this is likely to be an incremental shift.

6.24 The proposed Economic Regeneration and Growth Fund sets out a £12m investment fund over three years focussed on developing property and infrastructure in the Vale of Glamorgan. The funding would be made up of £2m of Council reserves and up to £10m Prudential Borrowing via the PWLB. A further £200k will be ringfenced to procure specialist advice and fund due diligence costs. The schemes progressed under this scheme should comply with the PWLB permitted borrowing purposes and generate a return that covers the costs of borrowing. The key principles for this service investment fund are to:

- 1) Deliver economic growth
- 2) Tackle inequality

- 3) Improve our environment, and
- 4) Create change in the area to benefit all residents, businesses and visitors.

All of these will have positive impacts for communities across the Vale of Glamorgan and should all be in line with the Council's Climate Emergency declaration and carbon reduction plans. Investment decisions should align with Council Priorities as set out in the Corporate Plan. Some examples of the resultant activity could include Renewable Energy schemes and support for development which will help the Council reach net zero emissions by 2030 (Project Zero); and use of Council land for environmental , green infrastructure or other biodiversity issues connected to either the declared climate or nature emergencies.

6.25 More detail can be found within the Project Zero report going to Cabinet on the 28th February 2022.

## **7 COMMERCIAL ACTIVITIES**

- 7.1 The Prudential Code has expressed concern that an authority's approach to commercial activities should be proportional to its overall resources.
- 7.2 On 1<sup>st</sup> January 2020, the Council set up a Local Authority Trading Company to deliver Catering services called the Big Fresh Catering Company. The Council owns 100% of the company shares
- 7.3 The Council currently has no other material commercial activity however it is looking to explore proportionate commercial opportunities as appropriate. The Economic Regeneration and Growth Fund can be used for schemes where robust business cases are brought forward. This reserve currently has a balance of £2.353m and £2.2m is ringfenced for the Non Treasury Investment Strategy. This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans, supporting service outcomes, investments in subsidiaries and investment property portfolios. The Council will ensure that all the organisation's investments of this nature are covered in the capital strategy, investment strategy or equivalent and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non treasury investments.

## **8 OTHER LONG TERM LIABILITES**

- 8.1 The Council has discretion to make loans for a number of reasons, primarily for economic development. These loans should be treated as capital expenditure. In making loans the Council would be exposing itself to the risk that the borrower defaults on repayments. The Council, in making loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the Council is proportionate and prudent. The Council will ensure that a full due diligence exercise is undertaken and adequate security is in place. All such loans would require the approval of Cabinet.
- 8.2 The Council currently has no soft loans. A soft loan is made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

## **9 MAKING THE BEST USE OF RESOURCES**

- 9.1 Given the financial constraints currently facing the Council, it is of fundamental importance that the best use is made of its resources. This section outlines the ways in which the Council is achieving value for money, monitoring performance and ensuring that it has access to appropriate knowledge and skills for decision making.

### **Procurement Strategy**

- 9.2 The Council recognises the need to have efficient and effective methods of procurement. The Council has developed a Procurement Code of Practice and Contract Management procedure. These documents support effective and sustainable procurement throughout the Council whilst the updated Procurement Strategy aims to ensure that procurement planning supports the Council's objectives as set out in the Corporate Plan. It also sets out the process by which all Council procurement will have regard to environmental, social and ethical factors as well as financial and economic considerations. It is intended to encourage everyone to think about their actions in support of the corporate vision of being a greener Council.

### **Project Management Methodology**

- 9.3 The Council recognises that all major projects must be led by an officer with appropriate project management and technical skills. As such a Project Management Methodology is in place to ensure that all projects are correctly managed. The methodology follows the principles of PRINCE2 (Projects in Controlled Environments) and takes into account the capital bidding process and sustainability considerations.

### **Programme Monitoring**

- 9.4 Once the Capital Programme is approved, managers are advised of their successful bids and each project is allocated to a named responsible Project Manager and Project Sponsor. On a monthly basis monitoring statements showing expenditure to date are sent to managers and meetings are held with Heads of Service, Operational Managers and other relevant officers to discuss progress on schemes.
- 9.5 Monitoring reports are presented to Cabinet and Scrutiny Committee on a regular basis to advise members of progress on each approved scheme. The reports also identify any changes to the programme to reflect additions, virements and rescheduling of schemes.

### **Performance Indicators**

- 9.6 The Council subscribes to a number of benchmarking schemes and produces annual returns, which are evaluated by the Welsh Government.

## **Performance Management Framework**

9.7 The Council utilises its Performance Management Framework to help realise the aspirations that it identifies in the Corporate Plan and Services Plans. This includes the management of the Capital programme. The Council achieves this by monitoring performance against targets, comparing performance against others, identifying actions for improvement and delivering change. This approach helps to measure how the Council is meeting its vision and objectives and demonstrates accountability to the Council's stakeholders.

## **Knowledge and Skills**

9.8 In order for the Council to make the best use of its resources, it must ensure that it has in place robust decision making and effective management of its assets and capital investment. This can only be achieved by employing suitably qualified and experienced staff with up to date knowledge and by engaging with members who have the necessary skills and understanding.

9.9 The Council employs professionally qualified and experienced staff across the Council to make capital expenditure, borrowing and investment decisions. However, where the Council requires specialist advice it procures external support and during 2019 the Council appointed Link Asset Services as its Treasury Management advisor.

9.10 The Accountancy Section has a range of professionally qualified staff in key positions who are involved in Capital and Treasury Management roles. They have had many years local government experience including the Head of Finance (CIPFA over 25 years), Operational Manager Accountancy (CIPFA Over 10 years), Capital Accountant (CIPFA over 6 years) and Senior Accountancy Technician (AAT over 30 years).

9.11 It is a requirement of the CIPFA Code of Practice that the Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Head of Finance / Section 151 Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff. The Head of Finance / Section 151 Officer will ensure that members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance must recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The Council's treasury advisor Link Asset Management provides training for members where appropriate but at least annually, the next training course is to take place on March 1<sup>st</sup>, 2022. The training needs of treasury management officers are periodically reviewed and are assessed as part of the staff appraisal process and from the frequent in-house meetings between the Treasury Management Team and the Section 151 Officer. Link Asset Management and CIPFA also provide regular online training seminars to ensure that changes to the Codes of Practice are implanted and

adhered to and have been appointed to deliver the Treasury Management induction training for new Members in June.

- 9.12 The Strategic Property Section is responsible for providing strategic property advice and the preparation and implementation of the Corporate Asset Management Plan. Staff have again had many years local government experience including the Operational Manager Property (over 20 years) and the Commercial and Consultancy Manager (over 30 years) and they are both members of the Royal Institute Of Chartered Surveyors. The Operational Manager is also a registered valuer. When required, external support would be sourced e.g. external valuers.
- 9.13 As part of the Council's contract with the external Treasury Management Advisor, the provision of training for members of Audit Committee is included to ensure they have the required knowledge and skills and that these are kept up to date. This training is also attended by Accountancy staff.
- 9.14 The Council establishes project teams from all the professional disciplines as and when required to deliver specific projects.
- 9.15 Members also gain knowledge of the strategic decision making process for asset management as members of various project boards, which would cover the use and disposal of surplus property and other key asset management issues.

## **10 RISKS TO THE STRATEGY**

10.1 An important part of any strategy is the assessment of risk. This section outlines the Council's attitude to risk, identifies potential risks when producing the Capital Strategy and possible means of mitigation.

### **Risk Strategy**

10.2 As part of the Council's integrated planning framework, the Council has a Risk Strategy. Effective Risk Management allows the Council to make the most of its opportunities, make the right decisions and achieve its objectives once those decisions are made. The Council embeds risk management in every aspect of the organisation. A knowledge and awareness of risks creates an environment in which continuous improvement can be achieved and where the Council takes informed decisions. Corporate risks need to be taken into account in judgements about the medium to long-term goals and objectives of the Council.

### **Resource Risks**

10.3 As part of this Strategy future capital resources have been projected. However, Welsh Government has not provided an indication of the future General Capital Funding they will provide and therefore this does not provide certainty for planning for the future. This is particularly problematic as capital projects may need substantial planning prior to work commencing on site and schemes can take several years to complete.

10.4 Capital schemes which are reliant on capital receipts for funding need to be carefully profiled as the timing and value of receipts could vary significantly, particularly with the affect that the uncertainty created by the exit from the European Union is having on the development sector.

### **Treasury Management Risks**

10.5 The Council has borrowed and invested significant sums of money and is therefore exposed to financial risks such as the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

### **Expenditure Risks**

10.6 Due to the nature of capital works it is sometimes difficult to project the final costs of the scheme and they can outturn at a higher cost than planned. Adverse weather conditions are increasing the cost of maintaining the Council's infrastructure and increasing the risk of natural disasters such as flooding. The Council is also at this time carrying out large scale capital investment in the 21<sup>st</sup> Century Schools Band B projects and also through the Cardiff Capital Region City Deal. These capital schemes will require significant investment and the Council needs to ensure that it has allocated and has access to sufficient funding to see these schemes through to completion.

- 10.7 The uncertainty created by the exit from the European Union also brings risk to the cost of future capital schemes as there may be changes to the value of contracts due to staffing issues and the terms of trading with European suppliers. Also any legislative changes could affect the procurement of goods and services and also may affect the service provision regulations e.g. waste, environmental issues, which may have an impact on assets.
- 10.8 The COVID-19 pandemic has made delivering capital schemes more problematic with contractors having to introduce new ways of working to ensure social distancing and also with disruption to supply chains. This situation is likely to continue in the short term and could result in increased costs in delivering capital schemes.

### **Mitigating Risk**

- 10.9 With scarce capital resources, funding will only be allocated to priority capital schemes that meet corporate priorities or meet legal obligations, with schemes being fully evaluated prior to approval.
- 10.10 If capital projects overspend, the capital programme will be reviewed to identify other schemes that could be postponed or cancelled until further funding is identified. It is therefore important that capital projects are adequately planned and are effectively project managed and the Council needs to prudently reflect the future capital funding that will be available. The use and level of reserves will be critical to ensure that committed capital projects can be delivered. When costing major or complex capital projects risk analysis should be undertaken to inform the adjustments for optimism bias and identification of risk management. A Risk Register, which identifies each relevant risk and compares how it impacts should be completed.
- 10.11 Commissioning and procuring for capital schemes must comply with the requirements set out in the Council's Constitution, Financial Regulations and Contract Standing Orders.
- 10.12 In the past, the Council has taken a prudent view with regard to unsupported borrowing. It is therefore considered that the Council will be able to maintain the currently approved levels of borrowing.
- 10.13 The Council does not currently invest beyond 364 days to minimise the investment risk and invests with Debt Management Office (DMO), in Treasury Bills and other local authorities. The DMO is an Executive Agency of Her Majesty's Treasury. The Council introduced the use of AAA rated Money Market Funds during 2020/21 as the risk has been assessed as the same as investing in the DMO. The Council also introduced the use of deposit accounts with Lloyds Bank (the Council's bankers) up to a maximum value of £10m. These arrangements will be kept under review in consultation with Link Asset Managers the Council's Treasury Management Advisers.
- 10.14 The Council has not undertaken any material commercial activities.

## 11 CAPITAL STRATEGY KEY ISSUES AND RECOMMENDATIONS

11.1 This section summarises the key issues arising from the Capital Strategy and also provides recommendations to be taken forward.

### Priority Areas for Capital Spend

11.2 The Council's ability to deliver its priorities has been impacted by increasing demographic and funding changes which have placed increasing pressure on budgets. This underlying theme of resource constraints has had a major influence on the Council's strategies and delivery plans and is reflected in its financial planning activities. The Council's financial framework therefore aims to balance expenditure with current levels of funding and has a robust method of prioritisation and allocation of capital resources to key schemes.

11.3 Key priority areas currently identified where funding is available over the life of this Plan are shown in the following table and also how they contribute to the Council's well being objectives:-

<b>To work with and for our communities</b>
• Sustainable Communities for Learning programme
• Transforming Towns Place Making Grant
• Highways improvement
• Building Stronger Communities
<b>To support learning, employment and sustainable economic growth</b>
• Band B 21 <sup>st</sup> Century Schools programme
• Cardiff Capital Region City Deal
• Transforming Towns Place Making Grant
<b>To support people at home and in their community</b>
• Maintenance of WHQS in Council houses
• Building new homes in the Vale for social rent
• Disabled Facilities Grants
• Investment in Leisure Centres
<b>To respect, enhance and enjoy our environment</b>
• Supporting decarbonisation as part of the 21 <sup>st</sup> Century Schools Programme
• Investment in Electric Pool Cars and charging points
• Investing in the introduction of LED street lighting
• Carbon Management reduction using SALIX
• Revised Waste collection service and new Transfer Station
<b>Council Wide</b>
• Implementation of ICT and Digital Strategy
• Ensuring properties are fit for purpose for delivering services
• Requirements of external factors such as legislation changes

## **Closing the Funding Gap**

- 11.4 An initial assessment has been undertaken to identify the possible requirements for capital investment over the next 10 years and also the potential funding that is available to finance such work. The funding gap could be in the region of £12m over the period. This data is currently being reviewed and updated through condition surveys to provide a basis for future capital strategies. Any reduction in resources in the future will restrict the number and size of capital schemes that the Council is able to fund. It can be seen that there is significant requirement for capital investment which will not be possible to fund. This includes the backlog of school, highway and buildings repairs which in time could expand beyond issues associated with repairs and maintenance to those of 'fit for purpose' considerations. This risk will have to be managed and funding identified as a priority for service critical works.
- 11.5 A significant sum in the Capital Programme relates to Asset Renewal items which may be viewed as essential areas of spend if the existing portfolio of Council assets, including its infrastructure, is to be maintained to even a basic level to prevent further deterioration.
- 11.6 The Council will continue to assess its assets to identify whether any are surplus and can achieve a capital receipt. Certain properties have already been identified where the receipt will be used to fund the Band B Sustainable Communities for Learning Programme.
- 11.7 Where possible the Council will try to identify grant funding and will strive to provide match funding if the grant can be used to finance Council priorities.
- 11.8 The Council has previously undertaken unsupported borrowing for investment in Schools, vehicles, Housing stock and the Cardiff Capital Region City Deal. This decision has been taken after a full assessment of the affordability of taking on such debt and as part of a full business plan. The Council could consider using unsupported borrowing to close the future funding gap, however, given the expected reduction in revenue budgets the potential for servicing debt not funded by Welsh Government from existing revenue budget going forward is extremely limited. The Council will therefore need to ensure that capital spending plans are affordable and decisions do not place additional pressure on the level of Council Tax or the Medium Term Financial Plan.

## **Longer Term Planning**

- 11.9 The Council's current Corporate Plan covers the period 2020 - 2025.
- 11.10 For major projects and investment that cover a longer term period the funding and financial implications need to be planned well in advance. Long term planning has been undertaken for projects such as the Housing Business Plan, the Band B 21<sup>st</sup> Schools Programme and the Cardiff Capital Region City Deal which all cover a longer term need for investment.
- 11.11 Long-term forecasts are not easily predicted and the accuracy of all financial estimates will be limited however it is an invaluable tool in consideration future issues

and anticipating the necessary requirements. It will also allow time for funding to be identified for key priorities and projects.

## Actions

11.12 The Council has previously undertaken unsupported borrowing for investment in Schools, vehicles, Housing stock and the Cardiff Capital Region City Deal. This decision has been taken after a full assessment of the affordability of taking on such debt and as part of a full business plan. The Council could consider using unsupported borrowing to close the future funding gap, however, given the expected reduction in revenue budgets the potential for servicing debt not funded by Welsh Government from existing revenue budget going forward is extremely limited. The Council will therefore need to ensure that capital spending plans are affordable and decisions do not place additional pressure on the level of Council Tax or the Medium Term Financial Plan.

11.13 In considering this Strategy the Council will need to undertake a number of actions in order to make the most of potential funding and the requirement to invest. Some of these actions will be taken forward as part of other approved strategies and will need to be continually monitored and assessed.

<b>CAPITAL STRATEGY ACTION POINTS</b>
<b>Setting the Capital Programme</b>
<ul style="list-style-type: none"> <li>• Only capital bids that are deemed to meet the criteria of highest corporate priority and/or risk should be progressed.</li> <li>• Robust project appraisal and understanding of full life costs and risk are required for large capital investment.</li> </ul>
<b>Review Process</b>
<ul style="list-style-type: none"> <li>• Maintain comprehensive and robust procedures for managing and monitoring the Capital Programme.</li> <li>• Continue to review the Corporate and Service Asset Management Plans.</li> <li>• Update Condition Survey data to ensure the Council is fully aware of future commitments.</li> <li>• The Council will strive to reduce carbon emissions and improve energy efficiency and positively encourage waste reduction initiatives.</li> <li>• In line with the Reshaping Services Programme, the Council's assets and Capital Programme will be reviewed to ensure they support the implementation of the programme objectives and are suitable for alternative delivery models if required, including exploring options for Community Asset Transfer.</li> <li>• Ensure staff involved in the capital and Treasury Management process and the delivery of capital projects have the relevant experience and training.</li> <li>• Ensure members involved in the capital and Treasury Management process receive relevant training.</li> </ul>
<b>Maximising Capital Funding</b>

<ul style="list-style-type: none"> <li>• Maximising grant-funding opportunities for capital schemes, where such schemes are compatible with Council objectives.</li> </ul>
<ul style="list-style-type: none"> <li>• The identification of underperforming / inefficient assets and prioritising the sale of surplus land and properties as a means of generating capital receipts to fund capital schemes.</li> </ul>
<ul style="list-style-type: none"> <li>• Reviewing the options for unsupported borrowing under the Prudential Code in the light of future financial projections for capital funding and expenditure in line with the Medium Term Financial Plan.</li> </ul>
<ul style="list-style-type: none"> <li>• Use of the Economic Regeneration and Growth Fund Reserve, IT Fund, Building Fund, Energy Management Fund, School Investment Strategy Reserve and Schools Rationalisation Reserve where appropriate to finance capital investment.</li> </ul>
<ul style="list-style-type: none"> <li>• Develop partnerships with the public and private sectors as a means of unlocking additional resources.</li> </ul>
<ul style="list-style-type: none"> <li>• Provide support for invest to save initiatives where it is appropriate.</li> </ul>

Schemes	2022/23		2023/24		2024/25		2025/26		2026/27		Comments
	Net	Gross									
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Learning and Skills	10,357	20,381	1,918	19,983	3,582	8,779	600	600	600	600	
Social Services	180	180	100	100	100	100	100	100	100	100	
Environment and Housing	48,310	57,715	36,249	43,019	22,267	26,536	15,010	19,941	18,162	22,432	
Place	3,454	5,801	1,607	1,607	1,450	1,450	1,450	1,450	1,450	1,450	
Resources	856	856	3,777	3,777	3,934	3,934	2,969	2,969	2,969	2,969	
City Deal	273	273	4,373	4,373	2,289	2,289	0	0	0	0	
<b>TOTAL CAPITAL PROGRAMME</b>	<b>63,430</b>	<b>85,206</b>	<b>48,024</b>	<b>72,859</b>	<b>33,622</b>	<b>43,088</b>	<b>20,129</b>	<b>25,060</b>	<b>23,281</b>	<b>27,551</b>	

**RESOURCES USED TO FINANCE PROGRAMME****GENERAL FUND CAPITAL RECEIPTS POSITION**

	Net £000	Gross £000		General £000	SS £000	Ed £000
<b>Resources from Welsh Government</b>			<b>Balance as at 31st March 2021</b>	<b>7,516</b>	<b>1,339</b>	<b>4,538</b>
Supported Borrowing - General Fund	3,451	3,451	Anticipated Required in 2021/22	-959	0	-3,820
General Capital Grant	2,378	2,378	Anticipated Receipt in 2021/22	0	0	200
<b>Total Resources from Welsh Government</b>	<b>5,829</b>	<b>5,829</b>	<b>Balance as at 31st March 2022</b>	<b>6,557</b>	<b>1,339</b>	<b>918</b>
			Anticipated Required in 2022/23	-4,202	0	-918
<b>Other Available Resources</b>			Anticipated Receipt in 2022/23	0	0	0
General Fund Revenue/Reserves	13,413	13,413	<b>Balance as at 31st March 2023</b>	<b>2,355</b>	<b>1,339</b>	<b>0</b>
Housing Reserves/Revenue	18,452	18,452	Anticipated Required in 2023/24	0	0	0
Housing Capital Receipts	0	0	Anticipated Receipt in 2023/24	0	0	0
Education Capital Receipts	918	918	<b>Balance as at 31st March 2024</b>	<b>2,355</b>	<b>1,339</b>	<b>0</b>
General Fund Capital Receipts	4,202	4,202	Anticipated Required in 2024/25	0	0	0
S106	0	8,484	Anticipated Receipt in 2024/25	0	0	0
Other External Grants	0	10,522	<b>Balance as at 31st March 2025</b>	<b>2,355</b>	<b>1,339</b>	<b>0</b>
Major Repairs Allowance	0	2,770	Anticipated Required in 2025/26	0	0	0
Unsupported (Prudential) Borrowing	20,343	20,343	Anticipated Receipt in 2025/26	0	0	0
City Deal Borrowing	273	273	<b>Balance as at 31st March 2026</b>	<b>2,355</b>	<b>1,339</b>	<b>0</b>
<b>TOTAL RESOURCES</b>	<b>63,430</b>	<b>85,206</b>	Anticipated Required in 2026/27	0	0	-300
			Anticipated Receipt in 2026/27	300	0	300
			<b>Balance as at 31st March 2027</b>	<b>2,655</b>	<b>1,339</b>	<b>0</b>

Schemes	2022/23		2023/24		2024/25		2025/26		2026/27		Comments
	Net	Gross									
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Learning and Skills</b>											
<b>Education and Schools</b>											
<b>Schools Investment Programme</b>											
<b>Sustainable Communities for Learning Programme</b>											
Band B Whitmore High School	226	226	0	0	0	0	0	0	0	0	
Band B Pencoedtre High School	4,698	4,698	0	0	0	0	0	0	0	0	
Band B Centre of Learning and Wellbeing	100	1,023	356	2,760	630	903	0	0	0	0	
Band B Ysgol Y Deri	0	2,420	150	6,532	1,651	2,792	0	0	0	0	
Band B Ysgol Gymraeg Bro Morgannwg	0	40	0	0	0	0	0	0	0	0	
Band B Barry Waterfront	311	4,564	150	1,691	206	490	0	0	0	0	
Band B Primary Provision in the Western Vale	53	53	0	0	0	0	0	0	0	0	
Band B Cowbridge Primary Provision (YBF)	0	1,136	0	3,066	0	1,064	0	0	0	0	
Band B St David's Primary School	36	36	0	0	0	0	0	0	0	0	
Band B St Nicholas	0	1,002	419	2,704	495	495	0	0	0	0	
Band B Penarth Cluster - Review Primary											
Provision to Include Cosmeston	0	250	0	1,500	0	2,435	0	0	0	0	
Band B Review Nursery Provision	220	220	243	1,130	0	0	0	0	0	0	
<b>2021/22 and 2022/23 Capital Bids</b>											
Old Hall, Cowbridge, renewal of roof coverings	330	330	0	0	0	0	0	0	0	0	0 Capital Bid approved February 2020
Zero Carbon Llanfair Primary School	253	253	0	0	0	0	0	0	0	0	
School Maintenance Grant	2,041	2,041	0	0	0	0	0	0	0	0	£235k to fund Llanfair Zero Carbon
Improving Ventilation in Education Settings	95	95	0	0	0	0	0	0	0	0	
School's Decarbonisation LED Lighting	120	120	0	0	0	0	0	0	0	0	
<b>Asset Renewal</b>											
Schools Asset Renewal/Other	0	0	550	550	550	550	550	550	550	550	
Gladstone Primary Replacement of Rainwater Downpipes	55	55	0	0	0	0	0	0	0	0	
Gladstone Primary Toilet Refurbishments	70	70	0	0	0	0	0	0	0	0	
St Athan Primary Last Block of KS 2 toilets plus nursery toilets	70	70	0	0	0	0	0	0	0	0	
St Josephs Primary Last block of toilets	50	50	0	0	0	0	0	0	0	0	
Ysgol St Curig Remaining foundation phase toilets	50	50	0	0	0	0	0	0	0	0	
St Iltyd Primary Phase 2 of Electrical rewire	70	70	0	0	0	0	0	0	0	0	
Llandough HIU Remodelling	70	70	0	0	0	0	0	0	0	0	
High Street Primary Nursery playground drainage	15	15	0	0	0	0	0	0	0	0	
Education Asset Renewal - contingency	170	170	50	50	50	50	50	50	50	50	
<b>Slippage</b>											
Llansannor Extension	157	157	0	0	0	0	0	0	0	0	
St Brides	177	177	0	0	0	0	0	0	0	0	
All Schools Condition Surveys	62	62	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
All Schools Condition Survey - Urgent Works											
Arising scheme budget	210	210	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Albert Primary External Repairs (Stores)	45	45	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Albert Primary Replacement windows / wet rot	40	40	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Holton Primary Drainage Repairs	50	50	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Holton Primary Window Replacement & Remedial Wall Ties	20	20	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Llansannor Primary WC Refurbishment	60	60	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Rhws Primary Windows Refurbishment Phase 5	30	30	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Albert Primary External Repairs	20	20	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
St Iltyd's Primary Fire Precaution Works	17	17	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.
Wick and Marcross Rewire	60	60	0	0	0	0	0	0	0	0	0 Requested in monitoring report on the same agenda.





Schemes	2022/23		2023/24		2024/25		2025/26		2026/27		Comments
	Net	Gross									
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>S106 Slippage</b>											
Windmill Lane Play Area	0	57	0	0	0	0	0	0	0	0	
Penarth Heights Public Art	0	80	0	0	0	0	0	0	0	0	
<b>Private Sector Housing</b>											
Disabled Facility Grants	1,396	1,396	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Additional Disabled Facility Grants	150	150	150	150	150	150	150	150	150	150	
Penarth Renewal Area	5	5	0	0	0	0	0	0	0	0	
<b>Total Place</b>	<b>3,454</b>	<b>5,801</b>	<b>1,607</b>	<b>1,607</b>	<b>1,450</b>	<b>1,450</b>	<b>1,450</b>	<b>1,450</b>	<b>1,450</b>	<b>1,450</b>	
<b>Resources</b>											
Building Strong Communities Fund (CASH Grants)	30	30	30	30	30	30	30	30	30	30	
All Services Asset Renewal	0	0	3,447	3,447	3,604	3,604	2,639	2,639	2,639	2,639	
<b>Slippage</b>											
Alps Depot Toilet Refurbishment	189	189	0	0	0	0	0	0	0	0	
Central Promenade Café Roof, Barry Island	50	50	0	0	0	0	0	0	0	0	
Ventilation & Lighting Upgrade to Contact One Vale	240	240	0	0	0	0	0	0	0	0	
<b>2022/23 Capital Bids</b>											
Ash die back and Replanting Programme	100	100	100	100	100	100	100	100	100	100	
<b>ICT Schemes</b>											
ICT allocation	247	247	200	200	200	200	200	200	200	200	Future years IT projects.
<b>Total Resources</b>	<b>856</b>	<b>856</b>	<b>3,777</b>	<b>3,777</b>	<b>3,934</b>	<b>3,934</b>	<b>2,969</b>	<b>2,969</b>	<b>2,969</b>	<b>2,969</b>	
<b>City Deal</b>											
City Deal	273	273	4,373	4,373	2,289	2,289	0	0	0	0	Reprofiled as part of the Month 6 monitoring report.
<b>Total City Deal</b>	<b>273</b>	<b>273</b>	<b>4,373</b>	<b>4,373</b>	<b>2,289</b>	<b>2,289</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Value of Capital Programme</b>	<b>63,430</b>	<b>85,206</b>	<b>48,024</b>	<b>72,859</b>	<b>33,622</b>	<b>43,088</b>	<b>20,129</b>	<b>25,060</b>	<b>23,281</b>	<b>27,551</b>	