

THE VALE OF GLAMORGAN COUNCIL

ENVIRONMENT AND REGENERATION SCRUTINY COMMITTEE:  
19<sup>TH</sup> SEPTEMBER, 2023

REFERENCE FROM CABINET: 20<sup>TH</sup> JULY, 2023

**“C70 DRAFT CAPITAL STRATEGY 2024/25 AND INITIAL CAPITAL PROGRAMME PROPOSALS 2024/25 TO 2028/29 (EL/PR) (SCRUTINY – CORPORATE PERFORMANCE AND RESOURCES) –**

The Leader presented the report, the purpose of which was to gain approval for the Initial Capital Programme Proposals for 2024/25 to 2028/29 so that they may be submitted to Scrutiny Committees for consultation and to set out the Draft Capital Strategy for Cabinet Members to consider.

Predicting capital resources over a long term period was difficult as the level of general capital funding provided by Welsh Government was usually advised on a year by year basis, grant levels were subject to change and capital receipts difficult to predict.

On 28th February, 2023, the Welsh Government announced the Final 2023/24 General Capital funding settlement which was £6.997M, being made up of £3.545M grant and £3.452M of supported borrowing. This was an increase of £1.168M from the 2022/23 funding of £5.829M. General capital funding for local government for 2023-24 was confirmed at £180m and would remain at £180m for 2024-25, with no further projections beyond this point currently available.

Councillor Wilson said that capital investment within his Cabinet Portfolio was crucial and often on an invest to save basis and thanked the staff and all concerned that had worked to put forward the report for consideration.

The Leader said the report had gone through a great deal of internal discussion, so all concerned understood the background to the proposals and be open and transparent in the justification for the decisions taken.

This was a matter for Executive decision.

Cabinet, having considered the report and all the issues and implications contained therein

RESOLVED –

(1) T H A T the Draft Capital Strategy 2024/25 as set out in Appendix 1 be approved.

(2) T H A T the Initial Capital Programme for 2024/25 to 2028/29 be noted by Cabinet and referred to Scrutiny Committees for consultation.

(3) T H A T the Non Treasury Investment Strategy scheme be included as a Pipeline scheme within the 2024/25 to 2028/29 Capital Programme with a budget of £12M as detailed in the report.

Reasons for decisions

(1) To approve the Draft Capital Strategy for 2024/25.

(2) In order for Members to be appraised of the initial status of the Capital Programme for 2024/25 to 2028/29.

(3) In order that the Council's Non Treasury Investment Strategy can progress.”

Attached as Appendix – Report to Cabinet: 20<sup>th</sup> July, 2023

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Thursday, 20 July 2023</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Draft Capital Strategy 2024/25 and Initial Capital Programme Proposals 2024/25 to 2028/29
Purpose of Report:	To gain approval for the Initial Capital Programme Proposals for 2024/25 to 2028/29 so that they may be submitted to Scrutiny Committees for consultation and to set out the Draft Capital Strategy for Cabinet Member to consider.
Report Owner:	Executive Leader and Cabinet Member Performance and Resources
Responsible Officer:	Matt Bowmer, Head of Finance/S151 Officer
Elected Member and Officer Consultation:	All Scrutiny Committees will be consulted as part of the budget cycle.
Policy Framework:	This report follows the procedure laid down in the constitution for the making of the budget. The final 2024/25 budget proposals will require the approval of Council.
<p><b>Executive Summary:</b></p> <ul style="list-style-type: none"> <li>• The report provides the Council's Draft Capital Strategy for 2024/25 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>• This report also sets out for Members the current five year Capital Programme for the period 2024/25 to 2028/29.</li> <li>• The total value of capital schemes over the next 5 years is £286.370M. This includes £10.166M for the Sustainable Communities for Learning Programme, £74.3M for two Learning and Skills pipeline schemes) and £146.996M for the Housing Improvement Programme and £12M for the Non Treasury Investment Strategy subject to approval of schemes.</li> </ul>	

## **Recommendations**

1. That Cabinet approve the Draft Capital Strategy 2024/25 as set out in Appendix 1.
2. That the Initial Capital Programme for 2024/25 to 2028/29 is noted by Cabinet and referred to Scrutiny Committees for consultation.
3. To include the Non Treasury Investment Strategy scheme as a Pipeline scheme within the 2024/25 to 2028/29 Capital Programme with a budget of £12M as detailed in the report.

## **Reasons for Recommendations**

1. To approve the Draft Capital Strategy for 2024/25.
2. In order for Members to be appraised of the initial status of the Capital Programme for 2024/25 to 2028/29.
3. In order that the Council's Non Treasury Investment Strategy can progress.

## **1. Background**

- 1.1 Council on 6th March, 2023 (Minute No 777) approved the Capital Programme for 2023/24 onwards.
- 1.2 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.
- 1.3 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 was produced for 2023/24 and was approved at Council on 6th March, 2023. The first draft of the bi-annual review of the 2024/25 Capital Strategy has been produced and can be found at Appendix 1 to this report.
- 1.4 CIPFA published revised codes of Practice on 20th December, 2021 and has stated that formal adoption is required in financial year 2023/24. 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 Council for approval. The implications of the revised code are detailed in the Treasury Management Strategy.
- 1.5 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.

## 2. Key Issues for Consideration

### Capital Strategy

2.1 A Summary of the 2024/25 to 2028/29 Capital Programme and how it is funded is included in the tables below.

<b>Directorate</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Learning and Skills	7,811	1,000	2,750	3,435	1,000
Social Services	1,067	725	100	100	100
Environment	3,685	2,260	2,260	2,260	2,260
Housing	40,755	35,257	23,746	22,034	25,204
Place	2,440	1,605	1,605	1,605	1,450
Corporate Resources	766	1,419	1,919	1,819	1,819
City Deal	1,835	2,594	0	0	0
Pipeline Schemes	22,370	42,138	20,177	3,000	0
<b>Total</b>	<b>80,729</b>	<b>86,998</b>	<b>52,557</b>	<b>34,253</b>	<b>31,833</b>

<b>Funding</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Capital Grant	3,545	2,378	2,378	2,378	2,378
General Fund (GF) Reserves/Revenue	1,962	1,438	1,398	1,300	800
HRA Revenue/Reserves	7,107	6,718	6,805	7,631	8,531
Capital Receipts	368	1,280	155	155	0
Grants	26,448	35,205	21,437	4,770	2,770
S106	763	600	2,350	3,035	0
<b>Total</b>	<b>40,193</b>	<b>47,619</b>	<b>34,523</b>	<b>19,269</b>	<b>14,479</b>
<b>Borrowing Requirement</b>					

Supported Borrowing	3,452	3,451	3,451	3,451	3,451
Unsupported Borrowing GF	9,762	12,749	3,012	2,500	0
Unsupported Borrowing HRA	27,322	23,179	11,571	9,033	13,903
<b>Total Borrowing Requirement</b>	<b>40,536</b>	<b>39,379</b>	<b>18,034</b>	<b>14,984</b>	<b>17,354</b>
<b>Total Capital Programme</b>	<b>80,729</b>	<b>86,998</b>	<b>52,557</b>	<b>34,253</b>	<b>31,833</b>

## Capital Strategy

- 2.2** The Capital Strategy looks at a longer term view of the Council's capital investment requirements. This is the fifth year that the Capital Strategy has been produced in this format. The Strategy will continue to be updated biannually and will evolve over future years.
- 2.3** 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.
- 2.4** 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 it will influence by the provision of specific grants, will change over a period of time. Capital receipts are difficult to predict albeit 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.
- 2.5** Condition surveys have previously indicated that capital investment of circa £25M to £40M is required over the next five years to Schools in order to finance improvement work. An initial assessment has been undertaken to identify the possible requirements for capital investment over the next five years across the remainder of the Council's non HRA assets and it is estimated further investment of circa £20M to £30M may be required. The overall funding gap could be in the region of £48M over the period and this funding gap will need to be considered in the context of the Council's proposed Corporate Landlord strategy.
- 2.6** 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.
- 2.7** 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.
- 2.8** 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. The Treasury Management Strategy for 2023/24 sets out

the Council's intentions to place investment with the UK Government or other local authorities or AAA rated money market funds. £12M has been 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.

**2.9** The Council is currently developing a Non Treasury Investment Strategy, this 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 Investment and Growth Fund is to be funded using £2.2M of the Investment and Growth Fund Reserve with provision for up to £10M Prudential Borrowing. The fund for Investment totals £12M with a further £200K earmarked for feasibility and due diligence costs.

**2.10** The profile of schemes will be brought to Cabinet at a later date once known. It is requested to increase the 2024/25 to 2028/29 Capital Programme by £12M as profiled in the table below. The mix of the funding is also detailed below however depending on the nature of the scheme the mix of borrowing and reserves allocated within the year may change but the overall total will remain the same.

	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000
<b>Non Treasury Investment Strategy</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>12,000</b>
<b>Funding</b>					
Reserves	500	500	500	500	2,000
Prudential Borrowing	2,500	2,500	2,500	2,500	10,000
<b>Total</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>12,000</b>

**2.11** As part of the Capital 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.

**2.12** In considering this Strategy the Council will need to undertake several 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 and the 2024/25 to 2028/29 Capital Programme**

**2.13** Details of the different sources of funding available to finance capital expenditure are outlined in section 3 of the Capital Strategy.

**2.14** On 28th February, 2023, the Welsh Government announced the Final 2023/24 General Capital funding settlement which was £6.997M, being made up of £3.545M grant and £3.452M of supported borrowing. This is an increase of £1.168M from the 2022/23 funding of £5.829M.

**2.15** The final settlement advised:

‘General capital funding for local government for 2023-24 is confirmed at £180m and will remain at £180m for 2024-25. Even as we meet the challenges posed by inflation, and respond to humanitarian needs arising from conflict, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation.’

**2.16** The Council is awaiting further information from Welsh Government in relation to the £20M capital for decarbonisation mentioned above.

**2.17** 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 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.

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

<b>WG Funding</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Supported Borrowing	3,452	3,451	3,451	3,451	3,451
General Fund					
General Capital Grant	3,545	2,378	2,378	2,378	2,378
<b>TOTAL</b>	<b>6,997</b>	<b>5,829</b>	<b>5,829</b>	<b>5,829</b>	<b>5,829</b>

**2.19** 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.

**2.20** 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.

**2.21** The Major Repairs Allowance (MRA), which is the grant that provides capital funding to the Housing Revenue Account (HRA) has been set at £2.770M for 2023/24. As no further indication has been received for future years it has been assumed within the strategy and the initial proposals that the grant remains at £2.770M throughout the period.

**2.22** Capital expenditure can also be funded by revenue contributions or the utilisation of existing reserves.



- 2.23** Schemes are also included in the programme that have funding under S106 planning obligations.
- 2.24** 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 five years, the level of specific grant funding for General Fund capital schemes is approximately £67.8M which is around £37.5M more than the level of General Capital Funding for the same period (£30.313M). The grants include the Sustainable Communities for Learning programme grants.
- 2.25** The Council is also able to borrow to finance capital expenditure. This can be supported where funding is received from Welsh Government to fund the cost of borrowing or unsupported where the Council must 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 provides further detail regarding borrowing and Section 5 provides information and indicators regarding the Council's level of borrowing.

#### **Capital Bids 2024/25 to 2028/29**

- 2.26** New capital bids will be invited for return in September 2023. Departments will be requested to assess and rank their own bids in order of importance before submission and bids from each Directorate will then be forwarded to the Strategic Insight Board for evaluation in October 2023.
- 2.27** The available funding approved in the Capital Programme that could potentially be used to fund the capital bids is set out in the table below:

<b>Available Funding</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Rolling Asset Renewal Allocations</b>					
Schools Asset Renewal	950	950	950	950	950
Education Asset Renewal – contingency	50	50	50	50	50
Social Services Asset Renewal	100	100	100	100	100
Neighbourhood Services and Transport Asset Renewal	500	500	500	500	500
Resurfacing Asset Renewal	750	750	750	750	750
Barry Regeneration Partnership Project Fund	300	300	300	300	300
Flood Risk Management and Coast Protection and Land Drainage	210	210	210	210	210

Disabled Facility Grants	1,306	1,305	1,305	1,305	1,150
Building Stronger Communities	30	30	30	30	30
ICT Allocation	0	200	200	200	200
All Services Asset Renewal	36	839	1,339	1,339	1,339
<b>Total</b>	<b>4,232</b>	<b>5,234</b>	<b>5,734</b>	<b>5,734</b>	<b>5,579</b>

**2.28** Other internal sources of funding that could be used towards funding the bids include capital receipts, reserves and borrowing. The projected capital receipts and capital reserve balances as at 31st March, 2029 are detailed below:-

<b>Source of funding</b>	<b>Projected Balance as at 31/03/2029 £'000</b>
Capital Receipts – General	2,201
Capital Receipts – Social Services	1,339
Reserves	1,812
<b>Total</b>	<b>5,352</b>

**2.29** Any funding gap would need to be funded through redirecting existing reserves or borrowing.

**2.30** Vehicles will be purchased throughout the five year Capital Programme using the Vehicle Reserve. This will be replenished yearly through vehicle capital receipts and revenue provision for the replacement of vehicles as part of the scheme.

**2.31** The process for analysing capital bids is detailed in section 4 of the Draft Capital Strategy.

**2.32** Various allocations for Asset Renewal have currently been included in Appendix 2 over the five year period of the programme. Asset Renewal budgets for each Directorate will be reviewed and schemes will be identified prior to the approval of the Final Capital proposals for 2024/25 to ensure that funding is allocated to priority schemes.

### **Schools Investment Programme**

**2.33** The Sustainable Communities for Learning programme is a unique collaboration between the Welsh Government and local authorities, for long term strategic capital investment with the aim of creating a generation of Sustainable Communities for Learning in Wales.

**2.34** The first tranche of schemes under Band A were delivered between 2013/14 and 2018/19. Band B schemes commenced in 2018/19 and there is now a move towards a rolling programme on investment in schools.

**2.35** Great progress has been made in the Sustainable Communities for Learning Programme, six schools within the Band B Programme are now operational. Since the last update, the Council has submitted a Strategic Outline Programme (SOP) Variation request to Welsh Government in February 2023 which was considered

by their Investment Panel on 14th April, 2023. The SOP Variation has been approved and the Council is awaiting the formal decision letter from the Minister. The SOP Variation was submitted to include the 3-16 Faith School scheme into the Band B capital programme and remove as a MIM scheme. Further details regarding the Sustainable Communities for Learning Programme can be found in Section 2 of the Capital Strategy

**2.36** The total of the Band B programme is currently £153.810M (excluding the Education pipeline schemes) of which £2.453M was funded in 2018/19, £15.316M in 2019/20, £44.460M in 2020/21, £30.109M in 2021/22 and £23.567M in 2022/23.

<b>Band B Schemes</b>	<b>2018/19 to 2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000
Whitmore High School	29,943	95	0	0	0	0	30,038
Pencoedtre High School	33,225	664	0	0	0	0	33,889
Centre for Learning and Wellbeing	6,798	1,114	223	0	0	0	8,135
Ysgol Gymraeg Bro Morgannwg	21,189	267	0	0	0	0	21,456
Barry Waterfront	4,872	4,311	0	0	0	0	9,183
South Point Primary School	5,417	10	0	0	0	0	5,427
Cowbridge Primary Provision	6,088	1,119	110	0	0	0	7,317
St David's Primary School	4,789	4	0	0	0	0	4,793
St Nicholas CiW Primary School	2,781	4,354	0	0	0	0	7,135
Ysgol Y Deri	788	15,508	5,648	0	0	0	21,944
Primary Provision in Penarth	0	0	0	0	1,750	2,436	4,186
Review Nursery Provision	15	0	0	0	0	0	15
Band B Contingency	0	292	0	0	0	0	292
<b>TOTAL</b>	<b>115,905</b>	<b>27,738</b>	<b>5,981</b>	<b>0</b>	<b>1,750</b>	<b>2,436</b>	<b>153,810</b>

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

<b>Funding Analysis Band B Schemes</b>	<b>£000</b>
Welsh Government Grant	101,858
Grant Displacement	2,131
S106	20,770
Capital Receipts	9,154
General Capital Funding	8,302
Reserves and Revenue Contribution	8,143
Prudential Borrowing	3,452
<b>TOTAL</b>	<b>153,810</b>

**2.38** Two pipeline schemes have also been included in the Capital Programme in relation to St Richard Gwyn redevelopment and Cowbridge Primary Phase 2, these schemes are subject to the approval of full business cases and further Cabinet reports. The budget profiles are detailed in the table below and further information can be found in section 2 of the Capital Strategy.

	<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>
St Richard Gwyn Redevelopment*	473	565	15,427	31,719	13,855
Cowbridge Primary Phase 2	0	430	2,593	7,419	3,322

\*Total scheme costs include £473K incurred against Design and Feasibility for the scheme in 2022/23.

### **Housing Improvement Programme**

**2.39** The Council achieved Welsh Housing Quality Standard (WHQS) at the end of March 2018. The five year Capital Programme therefore reflects 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. This is further detailed in the 30 year Housing Improvement Plan, the revised version of which was brought to Cabinet in January 2023. The Housing Improvement Programme is reviewed annually and as part of this process the expenditure will be re-profiled in line with the revised work programme. Further details are contained in section 2 of the Capital Strategy.

**2.40** The sources of funding to be used to finance HRA expenditure in 2024/25 to 2028/289 are detailed in the table below.

<b>Funding</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>
Revenue/Reserves	7,107	6,718	6,805	7,631	8,531
MRA Grant	2,770	2,770	2,770	2,770	2,770
Unsupported Borrowing	27,322	23,179	11,571	9,033	13,903
Other Grant/S106	3,556	2,590	2,600	2,600	0
<b>Total Budget</b>	<b>40,755</b>	<b>35,257</b>	<b>23,746</b>	<b>22,034</b>	<b>25,204</b>

## Next Steps

- 2.41** The next stage is for the capital bids to be submitted and reviewed by Strategic Insight Board during October and for the revised programme to be submitted to Scrutiny Committees for consultation. Each Scrutiny Committee will be asked to first consider the Initial Capital Programme proposals as shown in Appendix 2 and to make any recommendations for changes and to consider the capital bids which will be detailed in the report. If changes are requested or specific bids are supported, then the reasons need to be recorded in order to assist the Cabinet and the Budget Working Group in drawing up the final proposals. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Capital Budget Proposals and any recommendations that other Scrutiny Committees have made. The responses of Scrutiny Committees must be referred to Corporate Performance and Resources Scrutiny Committee in November 2023.
- 2.42** Senior officers will also be reviewing and prioritising the bids as part of the programme of work to balance the budget. This work will also be part of the internal challenge process.
- 2.43** The Council is currently working to balance the revenue budget for 2024/25, it is a very challenging year due the current economic climate and the cost of living crisis and significant cost pressures have been submitted and are currently being reviewed. The level of acceptable borrowing will be dependent on the resources that are available within the revenue budget which will not be known until January. No further unsupported borrowing will be added to the Capital Programme, although the pipeline schemes are subject to further approvals but are included at this stage for planning purposes. The revenue costs including the borrowing costs will need to be taken into consideration as part of the Medium Term Financial Plan.
- 2.44** The Treasury Management mid year report is due to be taken to Cabinet in November 2023. The Treasury Management Strategy will be updated to reflect the budget proposals and reported to Audit Committee, Cabinet and Council before 11th March, 2024 deadline.

## **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. Some examples are:-
- **To work with and for our communities** – Consultations are carried out as part of the budget setting process, with the community on capital projects. 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. 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 – Investment 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, consideration of alternative heating measures and new developments. Disabled Facility Grant and Enable schemes that support Vale of Glamorgan residents in their homes. Investment in leisure centres and playgrounds will encourage more use and activity.
  - **To respect, enhance and enjoy our environment –** 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. The design has been utilised for the new build for South Point Primary School which is the first net-zero carbon primary school in Wales. The Council has also successfully applied for additional Welsh Government funding to support further decarbonisation across the Sustainable Learning Communities Programme. Investing in the introduction of LED street lighting will bring environmental benefits. Vehicle charging infrastructure has been installed at the Alps Depot and the Civic Offices. The school decarbonisation programme consists of a variety of energy reduction measures and renewable energy installations have been identified across several 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 considers the Five Ways of Working.
- 3.3 Looking to the long term –** The development of the capital programme 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 and monitoring 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. Climate Change and Nature Implications

- 4.1** 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 Draft Capital Strategy details the work the Council is undertaking as part of Project Zero and commitments in the Council’s Climate Challenge Plan and this can be found in section 6.

## 5. Resources and Legal Considerations

### Financial

- 5.1** The total net capital expenditure of the proposed programme in Appendix 2, over the 5 years, is £188.982M. The total gross capital expenditure is £286.370M.
- 5.2** In line with the overall Financial Strategy, in order to resource the Capital Programme, reserves will be utilised over the period of the Capital Programme 2024/25 to 2028/29, however this should be balanced with the need to utilise reserves to support the revenue budget in the context of the current cost of living and revenue pressures.
- 5.3** Capital receipts are also utilised to fund the Capital Programme. The Education Capital Programme utilises general capital receipts in addition to capital receipts ring fenced for Education. The capital receipt balance for Social Services has been ring fenced for Social Services capital expenditure for Older Persons Accommodation.
- 5.4** The projected movements on General Fund useable capital receipts based on the current 2024/25 to 2028/29 Capital programme are shown in the following table.

<b>Capital Receipts</b>	<b>General</b>	<b>Ring fenced Social Services</b>	<b>Ring fenced Education</b>
	£000	£000	£000
Balance as at 31 <sup>st</sup> March 2023	7,502	1,339	1,790
Anticipated Requirements – 2023/24	(4,643)	0	(2,605)
Anticipated Receipts – 2023/24	0	0	815
Balance as at 31 <sup>st</sup> March 2024	2,859	1,339	0

Anticipated Requirements – 2024/25	(68)	0	(300)
Anticipated Receipts – 2024/25	0	0	300
Balance as at 31 <sup>st</sup> March 2025	2,791	1,339	0
Anticipated Requirements – 2025/26	(1,280)	0	0
Anticipated Receipts – 2025/26	0	0	0
Balance as at 31 <sup>st</sup> March 2026	1,511	1,339	0
Anticipated Requirements – 2026/27	(155)	0	0
Anticipated Receipts – 2026/27	0	0	0
Balance as at 31 <sup>st</sup> March 2027	1,356	1,339	0
Anticipated Requirements – 2027/28	(155)	0	(1,000)
Anticipated Receipts – 2027/28	1,000	0	1,000
Balance as at 31 <sup>st</sup> March 2028	2,201	1,339	0
Anticipated Requirements – 2028/29	0	0	0
Anticipated Receipts – 2028/29	0	0	0
Balance as at 31 <sup>st</sup> March 2029	2,201	1,339	0

### **Employment**

- 5.5 Some of the work 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)**

- 5.6 There are no legal implications

## **6. Background Papers**

Local Government Final Revenue Settlement letter dates 28th February, 2023.





VALE of GLAMORGAN COUNTY BOROUGH COUNCIL

# DRAFT CAPITAL STRATEGY

2024/25



# **FINAL CAPITAL STRATEGY 2024/25**

## **CONTENT**

	<b>Page No.</b>
<b>1. INTRODUCTION AND AIMS OF THE CAPITAL STRATEGY</b>	<b>2</b>
<b>2. LINKS TO STRATEGIC PLANS AND FUTURE CAPITAL REQUIREMENTS</b>	<b>5</b>
<b>3. RESOURCES TO FINANCE CAPITAL EXPENDITURE</b>	<b>19</b>
<b>4. PRIORITISATION OF CAPITAL REQUIREMENTS</b>	<b>24</b>
<b>5. TREASURY MANAGEMENT</b>	<b>27</b>
<b>6. DECARBONISATION</b>	<b>34</b>
<b>7. COMMERCIAL ACTIVITIES</b>	<b>39</b>
<b>8. OTHER LONG TERM LIABILITIES</b>	<b>40</b>
<b>9. MAKING THE BEST USE OF RESOURCES</b>	<b>41</b>
<b>10. ENVIRONMENTAL, SOCIAL &amp; GOVERNMENT</b>	<b>44</b>
<b>11. RISKS TO THE STRATEGY</b>	<b>46</b>
<b>12. CAPITAL STRATEGY KEY ISSUES AND RECOMMENDATIONS</b>	<b>49</b>

# 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 The Strategy should look to the longer term and is supported by a detailed Capital Programme for five years covering the period 2024/25 to 2028/29. This is the fifth year that the Capital Strategy has been produced. The strategy will be updated bi-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 2023 have a net book value of £761M (excluding Infrastructure) which includes £205M 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 de minimus 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 2024/25 and will be updated on a biannual basis. This 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 required for 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 & Governance (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 plan set out a vision and values and details 4 well-being objectives. 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 When developing the Corporate Plan, the Council reflected on the way it works and in particular the five ways of working as set out in the Well-being of Future Generations Act. 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. It also ensures that

links between different areas of work are made and connections understood including the impacts of decisions on different services.

- **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 [Vale of Glamorgan Council Corporate Plan 2020-25](#).

2.7 To support the five year Corporate Plan the Council produces an [Annual Delivery Plan \(ADP\)](#) each year which sets out the priorities for the year ahead and how the Corporate Plan commitments will be translated into action for the year ahead. The actions in the ADP are detailed against the four Well-being Objectives and detail key activities across the organisation. The 2023-24 ADP includes three critical challenges, Project Zero, Organisational Resilience and the cost of living, these challenges have been identified as significant areas of focus for Council services in 2023-24.

2.8 The Annual Delivery Plan actions are reflected in our [Service Plans](#) showing how each department will work to contribute to our four Well-being Objectives. Targets are set for delivering these actions.

### **Budget Strategy and Medium Term Financial Plan (MTFP)**

2.9 The Council produces a rolling Budget Strategy and 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 is being brought to the Cabinet on the same agenda as this strategy on 20<sup>th</sup> July 2023.

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

2.10 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 2023 to 2028 and was taken to [Cabinet on the 27<sup>th</sup> February 2023](#).

2.11 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.

2.12 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.

2.13 Forming part of the Council's accommodation strategy, the Council has focussed specifically on the key corporate buildings. This ongoing project of rationalisation previously known as the Space Project, has become a key driver for achieving a more efficient use of our corporate buildings and this will continue with the Eich Lle project which aims to reduce and rationalise the corporate office estate further by lowering desk ratios and greater use of hot desk facilities.

2.14 An Acquisition Protocol has previously been developed which will help to ensure that a coordinated approach is adopted for any potential acquisitions. The protocol requires 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 such as Strategic Insight Board.

2.15 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 was updated 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.

### **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 of 31<sup>st</sup> March 2023, the Council's housing stock stood at 3,940 dwellings.

2.18 The Housing Investment Programme remains predominantly focused on investing in tenants' homes and neighbourhoods directly contributing to maintaining compliance with the Welsh Housing Quality Standards (WHQS). As of 31<sup>st</sup> March 2018, the Council achieved the current 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 Housing Asset Management 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 continued compliance with the new updated WHQS (due to be launched in 2023/24), 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 To support this Strategy and to comply with Welsh Government's requirements, a 30-year Housing Business Plan is produced each year. The current Housing Business Plan was approved at Council on the 6<sup>th</sup> March 2023. This Plan forms the basis of the Compensation Award (formerly Major Repairs Allowance) grant application, which is a pivotal financing component for the Housing Improvement Programme. The next Housing Business Plan is being taken to Council in January 2024. The total capital spend in the HRA between 2024/25 to 2028/29 is anticipated to be £147M.

- 2.21 During 2023/24 the Housing Development Team will continue to explore opportunities to address the growing international and domestic housing crisis. This will include the acquisition and repurposing of local hotels and vacant public buildings for temporary accommodation. The Council will also commit one of its larger sites for 'meanwhile use' and will provide a 90 unit temporary accommodation facility at Eagleswell Road, Llantwit Major, part funded by Welsh Government, primarily for use by Ukrainian people fleeing the conflict in their country.
- 2.22 The current Housing Business Plan also commits £85m of capital investment over the next 5 years to ensure the continued expansion and acceleration of the Councils housebuilding ambitions. Not only will this meet the ever growing needs of those on our waiting list but also looks to provide much needed temporary and permanent accommodation to address the current housing crisis affecting many of our residents and those who are homeless.
- 2.23 Further detail can be found at [Housing Asset Management Strategy](#).

### **ICT and Digital Strategy**

- 2.24 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 using ICT.
  - To maintain, support and develop resilient ICT infrastructure and systems; and
  - To provide a quality ICT service.
- 2.25 The Council also has a Digital Strategy covering 2017 to 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 strategies are currently being updated and consolidated into a single Digital Strategy and will be taken to Cabinet in the next couple of months.
- 2.26 The capital programme includes a budget for ICT to provide capital investment to support the actions identified in both these strategies.
- 2.27 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 five 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.

2.28 A report has been provided to Cabinet on 6<sup>th</sup> July 2023 with an overview of work undertaken to develop a new draft Digital Strategy and seek approval to consult on the same before adoption. [Draft Digital Strategy](#)

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

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

## **Waste Management Strategy**

2.1 The draft 10 year Recycling and Waste Management Strategy and Business Plan was initially presented to Cabinet, 28th March 2022 and agreed in principle subject to consultation over the summer of 2022. The results on the consultation were presented to Cabinet 19<sup>th</sup> January 2023 and they were reviewed by the Environment and Regeneration Scrutiny Committee 14<sup>th</sup> February 2023, there were no further recommendations and the strategy was agreed. As part of this strategy there is an ongoing commitment and investment into new infrastructure necessary to ensure the delivery of the new strategy and to accommodate the ongoing services changes namely the introduction of the 'collections blueprint' a collection service that collects sustainable, high quality, recycling material separately at source.

2.2 As part of the service changes, grants were provided by Welsh Government's (WG) Collaborative Change Programme (CCP) to financially support the service changes, specifically for the purchase of all necessary recycling receptacles, vehicles and the construction of a Resource Recovery Facility (RRF) that prepares recycling material for resale and reuse, as well as all the necessary plant and equipment.

2.3 The Council was allocated £3.5M from Welsh Government in 2018/19, £2.8M in 2019/20 and the first service change was introduced to the Rural Vale in October 2019, a further roll out was undertaken across Barry in October 2020 and the final roll out was introduced to Penarth and surrounding areas on 17<sup>th</sup> April 2023.

2.4 Additionally, a further grant of £2.6M was awarded to the Council in 2022-23, of which £2.2M was to construct phase 2 of the RRF and £400K to fund an additional Baler. After the initial design of the RRF, construction was split into two phases as a result of Covid-19, and the global impacts of material availability and the increased costs associated with the construction industry. The plant has been operational since April 2023.

2.5 Additionally, there was a grant of £1.108M in 2020/21, £358K awarded to construct a reuse shop on the Household Waste Recycling Centre site in Barry, £250K for bins to introduce source separated recycling for flats and apartments and £500K to fund new recycling sorting equipment, for the RRF.

2.6 £35k has been spent in the 2022/23 Capital Programme and £3.354M has been allocated in the 2023/24 Capital Programme for the Atlantic Trading Estate Fleet Parking scheme, this scheme is to redevelop land on Atlantic Trading Estate (ATE), Barry to accommodate Recycling and Waste collection vehicles.

## **School Investment Programme**

- 2.7 The Sustainable Communities for Learning programme is a unique collaboration between the Welsh Government and local authorities, for long term strategic capital investment with the aim of creating a generation of Sustainable Communities for Learning in Wales.
- 2.8 The Programme is aimed at ensuring the standard of learning environments are fit for purpose, that there are sufficient places available for our learners when considering the rapid development and regeneration within the Vale, and that our priorities enable key outcomes within both the Welsh Government's national strategies and our own local strategies.
- 2.9 The first tranche of schemes under Band A were delivered between 2013/14 and 2018/19. Band B schemes commenced in 2018/19 and there is now a move towards a rolling programme on investment in schools.
- 2.10 The following Welsh Government intervention rates should be applied to the overall programme:
- 65% for Community Schools
  - 75% for ALN / SEN Schools
  - 85% for Voluntary Aided Faith Schools
- 2.11 Considerable progress has been made to date, six schools within the Band B Programme are now operational, this includes St David's CiW Primary, South Point Primary, Whitmore High School, Ysgol Gymraeg Bro Morgannwg, Pencoedtre High School and Ysgol St Baruc.
- 2.12 Cowbridge Primary School and the Centre for Learning and Wellbeing (known as Derw Newydd) are both under construction and progressing well with both projects on track to be delivered to programme. Work on both schools started in June 2022 and Cowbridge Primary School will be complete in June 2023 and is planned to be operational from September 2023 for the nursery and reception intake. Derw Newydd will be complete in July 2023 and will be operational from September 2023. Cowbridge Primary School building will form part of an All Through School at Cowbridge Comprehensive which will provide education from 3 to 19 year olds. The new primary school building is located within the grounds of the Comprehensive school and will provide 210 primary school places and 48 part-time nursery places once completed. The Centre for Learning and Wellbeing is a purpose-built school to accommodate pupils from Y Daith in Cowbridge and Amelia Trust Farm Campus, north of Barry. The new school will be managed as part of Ysgol Y Deri and form part of the wider ALN provision in the Vale of Glamorgan. The new school has capacity for 60 pupils once completed. Both schools will be net zero carbon in operation once complete and include ecological enhancements throughout the schemes.

- 2.13 Ysgol Sant Baruc Primary School Phase 2 works are underway to complete the soft landscaping and grass pitches, these works are planned for completion by September 2023.
- 2.14 An outline planning application was submitted for the Ysgol Y Deri Scheme in late 2021. In October 2022 the outline application was changed to a full planning application based on the detail already submitted for the scheme. The application has been given consideration by the local planning authority, this led to a call-in from Welsh Government by a member of the public opposing the development, the call in decision had been rejected and the project will start on site 10th July 2023
- 2.15 St Nicholas CiW Primary School is under construction to provide 126 primary school places and 24 part time nursery places. The new school will be net zero carbon in operation and include improvements to parking and pupil drop-off/pick up which would be accommodated on site rather than on the local highway adjoining the school frontage. Construction on site started in November 2022. The new school is planned to be operational by October 2023 and the demolition of the old school and external landscaping will be completed by February 2024.
- 2.16 A Strategic Outline Programme (SOP) Variation request was submitted to Welsh Government in February 2023 and considered by their Investment Panel on 14 April 2023. The SOP Variation has been approved and the Council is awaiting the formal decision letter from the Minister. The SOP Variation was submitted to include the 3-16 Faith School scheme into the Band B capital programme and remove as a MIM scheme. More detail on this scheme is provided later in this section.
- 2.17 Based on the estimated costs associated with both the MIM and capital funding routes and the high risk associated with the insurance premiums for the MIM route the SOP proposed the scheme is amended to capital funding project. A capital scheme is predicted to offer greater savings over the long term in relation to the maintenance costs and overall project costs. There is available capital funding for the scheme, but the majority of the Council funding will be required from borrowing.
- 2.18 The last paper presented progress on the Penarth Primary Provision project, which 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 a primary school. A determination on this outline planning application is outstanding but is expected to be determined in spring 2023. There is no further update to report on this.
- 2.19 It should be noted that the scheme would likely be linked to the residential allocation coming forward and the release of the land would be connected to the number of dwellings developed on the site. This would reflect previous section 106 agreements relating to safeguarded education land within a development. Therefore, it is considered this proposal will likely come forward within the rolling programme.
- 2.20 The table below details the most recent budget profiles and funding between 2024/25 and 2027/28 of the Sustainable Communities for Learning Programme:

	2024/25	2025/26	2026/27	2027/28	Total
Project	£'000	£'000	£'000	£'000	£'000
Band B Centre of Learning and Wellbeing	223	0	0	0	223
Band B Ysgol Y Deri	5,648	0	0	0	5,648
Band B Cowbridge Primary Provision (YBF)	110	0	0	0	110
Band B Penarth Cluster - Review Primary Provision to Include Cosmeston	0	0	1,750	2,436	4,186
<b>Total</b>	<b>5,981</b>	<b>0</b>	<b>1,750</b>	<b>2,436</b>	<b>10,167</b>

	2024/25	2025/26	2026/27	2027/28	Total
Funding	£'000	£'000	£'000	£'000	£'000
Grant (Inc displacement)	3,845	0	0	0	3,845
S106	57	0	1,750	2,436	4,243
Capital Receipts	87	0	0	0	87
Unsupported Borrowing	1,992	0	0	0	1,992
<b>Total</b>	<b>5,981</b>	<b>0</b>	<b>1,750</b>	<b>2,436</b>	<b>10,167</b>

2.21 Two pipeline schemes have also been included in the 2023/24 to 2027/28 Capital Programme in relation to St Richard Gwyn redevelopment and Cowbridge Primary Phase 2, these schemes are subject to the approval of full business cases and further Cabinet report.

2.22 Saint Richard Gwyn Catholic High is a redevelopment of the Secondary School on the current site. The project would deliver a 1,050-capacity secondary school which has been based upon recent pupil projections. The proposal will also include a 60) SRB unit.

2.23 This proposal to go out to consultation will be presented at Cabinet on the 20<sup>th</sup> July 2023. If approved, the consultation process will run from the 5<sup>th</sup> September to the 17<sup>th</sup> October 2023. A consultation report will be considered by Cabinet and published on the school and Council's website on the 16<sup>th</sup> November 2023.

2.24 The project would benefit the Welsh Government intervention rate for Voluntary Aided faith schools of 85%, the Council would need to contribute 15%. In addition, the Net Zero Carbon costs would be 100% funded by Welsh Government.

2.25 The total cost of the 3 to 16 Faith capital scheme is £62.039M (this includes some Design and Feasibility works that have taken place in 2022/23 in addition to the pipeline budgets between 2023/24 and 2027/28). The net zero carbon costs are estimated at £4.860M. The total Welsh Government contribution would be £53.462M, the total Council funding would be £8.577M and the additional borrowing costs associated with this scheme are reflected in the Medium Term Financial Plan.

2.26 The anticipated profile and funding of the scheme is detailed below:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
St Richard Gwyn Redevelopment	473	565	15,427	31,719	13,855
Funding					
Grant	0	0	13,238	26,460	13,764
Reserves	466	0	0	0	0
Capital Receipts	7	1	0	0	0
S106	0	0	105	0	0
Unsupported Borrowing	0	564	2,084	5,259	91
<b>Total</b>	<b>473</b>	<b>565</b>	<b>15,427</b>	<b>31,719</b>	<b>13,855</b>

- 2.27 Cowbridge Primary Provision Phase 2 will increase capacity from 210 places to 420 school places from September 2025. The school would move into a new school building to accommodate this increased capacity within the 'Land to the north and west of Darren Close' housing development. Additionally the proposal also includes increasing nursery provision to 96 part time places and an adult education and Welsh language immersion centre for primary school aged pupils from 7 years old and above, as well as offering Adult and Community Learning Programs after school hours.
- 2.28 This would support growth in Welsh medium primary education, supporting the Council's WESP and Welsh Governments 'Cymraeg 2050' strategy. A self-contained unit would provide Welsh medium immersion placements, as well as offering Welsh lessons for adults, particularly those living within the residential development.
- 2.29 The total cost for the project is £13.764m, the project would benefit from 65% intervention rate from Welsh Government, with the Council funding 35% of the costs. This equates to £4.817m, however, subject to the rolling programme guidance being published for the Sustainable Communities for Learning grant a further reduction to the Councils costs may arise if Welsh Government continue to fund 100% net zero carbon costs.
- 2.30 This proposal has been approved by Cabinet. The consultation process has already been undertaken and a statutory notice has been issued.
- 2.31 A revised SOP is anticipated to be submitted to Welsh Government to include the Cowbridge Primary Phase 2 into the Band B programme by the end of July. Once approved, a submission of the Strategic outline case (SOC) is anticipated to be issued by August in time for Business case scrutiny and Education Investment Panel.
- 2.32 The Sustainable Communities for Learning Team has submitted a bid for Welsh Medium grant (100% funding) for part of this project. We are awaiting for a decision letter from the Minister on the success of funding which will contribute towards the project. Until the letter is received, the amount of 100% funding towards the project is unknown

2.33 The current anticipated profile and funding of the scheme is detailed below and associated borrowing costs reflected in the Medium Term Financial Plan:

	<b>2022/23</b> <b>£'000</b>	<b>2023/24</b> <b>£'000</b>	<b>2024/25</b> <b>£'000</b>	<b>2025/26</b> <b>£'000</b>	<b>2026/27</b> <b>£'000</b>
Cowbridge Primary Phase 2	0	430	2,593	7,419	3,322
Funding	0	0	0	0	0
Grant	0	0	2,061	3,985	2,901
Reserves	0	430	532	38	0
Capital Receipts	0	0	0	1,000	0
Unsupported Borrowing	0	0	0	2,396	421
<b>Total</b>	<b>0</b>	<b>430</b>	<b>2,593</b>	<b>7,419</b>	<b>3,322</b>

2.34 The [Learning and Skills Investment Strategy 2022-2027](#) was presented to Cabinet on Thursday, 17<sup>th</sup> November 2022 and is linked here.

## City Deal

2.35 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.

2.36 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.

2.37 Key highlights showing investment to date are set out below.

- £4.73m Cluster Development and Growth Programme to nurture priority skills, vital Academic/Industry Partnerships and bespoke Business Growth Programmes.
- £50m Strategic Premises Fund launched and first investment crystalized in Ebbw Vale for £1.7m for Pulse Plastics.
- £36.4m purchase and remediation of Aberthaw.
- £7m investment in Cyber Innovation Hub.
- £3m investment into the Media Cymru consortium.



- Unveiling of the CCR Unleash Ambition and Growth conference.
- Creation of £50m Innovation Investment Capital fund and launch at Principality Stadium.
- £2.6m Food Sustainability Challenge launched in conjunction with Cardiff and Monmouth.
- £2m Investment in MedTech company Jellagen, £4m into Yoello and £3m for Apex.
- CCR Climate Coalition launched.
- Venture Graduate launched new Accelerator Programme.
- Cyber Masters cohort successfully graduate, and funding agreed for a second year.

For more detail on 2023/24 news and events please see the following link:

[Latest News - Cardiff Capital Region](#)

2.38 The Cabinet meeting on 31<sup>st</sup> January 2023 set out the proposed CCR Annual Business Plan for 2023/24 which constitutes Year 3 of the 5 year Strategic Business Plan approved in December 2020. This plan referred to the following strategies produced by the CCR:

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.

2.39 The total expenditure for the CCR 2023/24 Annual Business Plan is £66.6 Million. It is proposed that this level of expenditure is funded as follows:

- Draw down of HM Treasury Revenue Grant: £8.8 Million
- Draw down of HM Treasury Capital Grant: £28.2 Million
- Draw down of Council Contributions: £29.6 Million (The Vale of Glamorgan’s Contribution in 2023/24 is £2.5 Million).

2.40 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.

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

## **External Influences – Welsh Government**

2.42 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 Sustainable Communities for Learning programme, flood prevention schemes the A4226 Five Mile Lane improvement scheme and the Waste Transfer Station scheme.

## **External Influences – Legislation**

2.43 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.

2.44 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 was 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.

2.45 The Council has a duty to ensure that buildings under its control comply with appropriate statutory, regulatory and corporate standards. The Council has a dedicated Corporate Compliance Service whose role is to monitor building compliance across the corporate estate and to highlight any non-compliance issues to the relevant Premise Managers 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 ongoing risk assessments. The aim is to ensure the Council operates from fully compliant buildings and that all premises responsible officers can update the data held in relation to frequency testing.

## **External Influences – Collaboration**

2.46 Of growing importance both nationally and locally is collaborative and joint working as a driver to improving service delivery and reducing costs. There are several 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 16<sup>th</sup> December 2019.

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

### **External Influences – Consultation**

2.48 The Council will complete an annual budget consultation exercise later in the financial year. The consultation will be published as an online survey, with the option for residents and stakeholders to give their views via the telephone. The online survey will be widely promoted via the Council's Twitter and Facebook channels and last year received a high level of reach and engagement on both platforms.

2.49 The consultation will also be promoted to a wide range of stakeholders both via email and as part of the Council's consultation circular, Vale Viewpoint.

### **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 two 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 the 28th February 2023, the Welsh Government announced the Final 2023/24 General Capital funding settlement which was £6.997M, being made up of £3.545M grant and £3.452M of supported borrowing. This is an increase of £1.168M from the 2022/23 funding of £5.829M.
- 3.4 Welsh Government has also advised that £20 million capital across Wales is being provided to enable authorities to respond to the joint priority of decarbonisation. The Council is awaiting further information from Welsh Government in relation to this to understand what it means for the Council. Welsh Government have confirmed that the general capital funding will remain at the same level for 2024/25
- 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 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.

#### **Compensation Award – Welsh Government**

- 3.6 The Welsh Government issues a Compensation Award (formally Major Repairs Allowance) 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 Compensation Award for 2023/24 is £2.770M. As no further indication has been received for future years it has been assumed within the strategy that the grant remains at £2.770M per annum as awarded in 2023/24.

#### **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.

3.8 It is estimated that over the next five years the Council will receive grant funding from Welsh Government 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

3.9 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, the Non Treasury Investment Strategy 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.

Scheme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£000	£000	£000	£000	£000	£000
General Fund	3,452	3,451	3,451	3,451	3,451	17,256
Sustainable Communities for Learning Programme (Inc Pipeline projects)	4,077	7,655	512	0	0	12,244
City Deal	1,835	2,594	0	0	0	4,429
Buttrills Changing Rooms Pipeline Project	1,350	0	0	0	0	1,350
<b>Non Treasury Investment Strategy</b>	2,500	2,500	2,500	2,500	0	10,000
<b>Total General Fund</b>	<b>13,214</b>	<b>16,200</b>	<b>6,463</b>	<b>5,951</b>	<b>3,451</b>	<b>45,279</b>
Housing Revenue Account	27,322	23,179	11,571	9,033	13,903	85,008
<b>Total New Borrowing</b>	<b>40,536</b>	<b>39,379</b>	<b>18,034</b>	<b>14,984</b>	<b>17,354</b>	<b>130,287</b>

3.10 After allowing for repayments, the balance of Prudential Borrowing as at 31<sup>st</sup> March 2023 was £30.009M of which £16.946M is HRA. At the end of the Capital Programme period (31st March 2029) the outstanding prudential borrowing taking

into account repayments is expected to be £26.575M for the General Fund and £110.236M for the Housing Revenue Account.

## Contributions from Revenue and Reserves

- 3.11 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. The Council has recently undertaken a review of its reserves, this has resulted in fewer reserves but a greater alignment to key risks of the Council.
- 3.12 A number of reserves are used to fund the Capital Programme, it is anticipated that over the next five years (2024/25-2028/29) specific reserves of circa £6.9M (excluding HRA reserves) will be used to fund capital expenditure.
- 3.13 Over recent years substantial funding has been transferred into the Schools Investment Strategy reserve in order to fund the Band B Sustainable Communities for Learning programme however as the scheme progresses this reserve will be utilised.
- 3.14 The Investment and Growth Fund reserve will be to support a NonTreasury 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 Investment and Growth Fund is to be funded using £2.2M of the Investment and Growth Fund reserve and with provision for up to £10M Prudential Borrowing. The fund for Investment totals £12M with a further £200K earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice.
- 3.15 As part of the report with this Strategy it is being requested to increase the 2024/25 to 2028/29 Capital Programme by £12M as profiled in the table below. The split of the funding is also detailed below however depending on the nature of the scheme the split of borrowing and reserves allocated within the year may change but the overall total will remain the same. The split of schemes will be brought to Cabinet at a later date once known.

	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000
<b>Non-Treasury Investment Strategy</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>12,000</b>
<b>Funding</b>					
Reserves	500	500	500	500	2,000
Prudential Borrowing	2,500	2,500	2,500	2,500	10,000
<b>Total</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>12,000</b>

## Capital Receipts

- 3.16 Capital expenditure is also financed through receipts resulting from the sale of Council assets.
- 3.17 Receipts from the sale of HRA assets can only be spent within the HRA and cannot be used to finance General Fund capital schemes. The Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 gained Royal Assent on 24 January 2018 and the provisions in the Act came into force on 26 January 2019 but there are some exceptions. No HRA receipts have therefore been assumed in the Housing Business Plan. However, any HRA capital receipts received in year are used to fund capital expenditure in that year and therefore as at 31<sup>st</sup> March 2023 the Council did not hold a balance of HRA receipts. The reason for this is to reduce the level of borrowing within the HRA.
- 3.18 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 2023 the balance of vehicle capital receipts was zero.
- 3.19 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.
- 3.20 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 Three capital receipts are estimated to be received for Education assets between 2024/2 and 2028/29, however any income from Education 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 UK Government or Welsh Government, the main being contributions received via S106 agreements. Funding and contributions to capital schemes can also be made available from Natural Resources Wales, Sports Wales, Community Councils and Lottery.



## **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 Services will be asked to submit capital bids for new schemes that may be required over the next five years in September. The Initial Capital Programme Proposals 2024/25 to 2028/29 will be taken to Cabinet around October/November time. No bids have been included in the proposals at this time as the Welsh Government provisional settlement had not been announced and capital bids have not yet been submitted. The bids will be evaluated and prioritised by the Strategic Insight Board during October. The Strategic 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 Strategic Insight Board uses a number of criteria to prioritise the capital bids as outlined below. The recommendations of the Strategic Insight Board will then be reviewed by the Budget Working Group which comprises the Leader and Deputy Leader, the Chief Executive and the Head of Finance. A draft Capital Programme 2024/25 to 2028/29 inclusive of successful bids will be taken to Cabinet in January 2024 and will be 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 the draft 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 considering 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 in March 2024.

### **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.

		Likelihood/Probability of Risk Arising			
		Very Unlikely	Possible	Probable	Almost Certain
Possible Impact or magnitude of risk	Catastrophic	Medium	Medium/High	High	Very High
	High	Medium/Low	Medium	Medium/High	High
	Medium	Low	Medium/Low	Medium	Medium/High
	Low	Very Low	Low	Medium/Low	Medium

## 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.

Priority Level	Criteria
A	Health and Safety legislation
B	Other Legislation/Statutory Requirement
Ci	Economic Sense/Invest to Save/Decarbonisation response to climate/nature emergency
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 2024/25 will be presented to Cabinet in February 2024.
- 5.3 CIPFA published revised codes of Practice on 20<sup>th</sup> December 2021 and stated that formal adoption is required in 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 £47.140M as at 31st March 2023, with external borrowing at that point being £148.482M. 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 considered.

### **Capital Expenditure**

- 5.12 A five year capital programme has been proposed covering 2024/25 to 2028/29 as shown in the following table.

<b>Capital Expenditure</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Learning & Skills	7,811	1,000	2,750	3,435	1,000
Social Services	1,067	725	100	100	100
City Deal	1,835	2,594	0	0	0
Environment	3,685	2,260	2,260	2,260	2,260
Place	2,440	1,605	1,605	1,605	1,450
Resources	766	1,419	1,919	1,819	1,819
Pipeline Schemes	22,370	42,138	20,177	3,000	0
HRA	40,755	35,257	23,746	22,034	25,204
<b>Total</b>	<b>80,729</b>	<b>86,998</b>	<b>52,557</b>	<b>34,253</b>	<b>31,833</b>

### Capital Financing Requirement

5.13 The Capital Finance Requirement (CFR) is the total historical 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 asset's 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 five years.

<b>CFR at 31st March</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/278</b>	<b>2028/29</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Non HRA CFR	130.526	142.713	143.650	144.623	143.112
HRA CFR	118.648	139.309	147.896	153.708	164.209
<b>Total CFR</b>	<b>249.174</b>	<b>281.482</b>	<b>291.546</b>	<b>298.331</b>	<b>307.321</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>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Brought forward 1 April</b>	175.514	216.591	251.115	261.811	268.618
<b>Carried forward 31 March</b>	216.591	251.115	261.811	268.618	285.907
In Year Requirement	41.077	34.524	10.696	6.807	17.289

5.15 The Council expects to maintain some internal borrowing during the period of this strategy when affordable and the Council will take advice from the independent Treasury Management advisors as required.

## Affordable Borrowing Limits

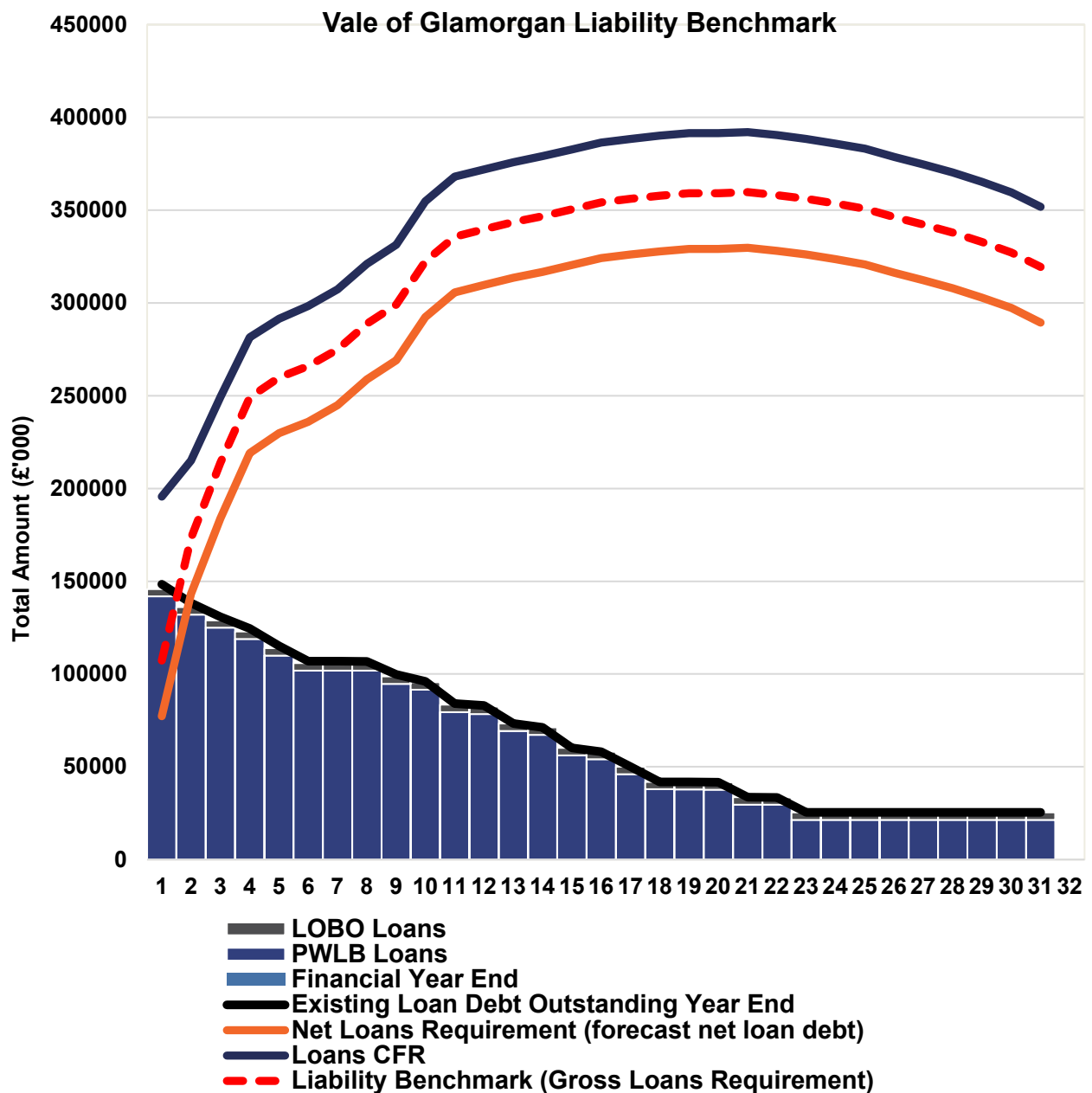
5.16 The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003 and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit. It will also set limits on its exposure to changes in interest rates and 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>2024/25 £M</b>	<b>2025/26 £M</b>	<b>2026/27 £M</b>	<b>2027/28 £M</b>	<b>2028/29 £M</b>
Borrowing	266.232	297.432	311.397	317.515	318.785
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>266.232</b>	<b>297.432</b>	<b>311.397</b>	<b>317.515</b>	<b>318.785</b>

5.18 As part of the new Prudential Code there is 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. The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of resources available for investment on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day to day cash flow.

5.19 The chart below shows the long term borrowing impact of the current 30 year capital programme. For illustration, the assumption here is that no new external borrowing is undertaken during this period under review which in reality would not be the case.



5.20 The chart above illustrates the 30 year projection of the Authority's Liability Benchmark. In year one the Council's external debt (the shaded area) exceeds the liability benchmark (the dotted line). This shows the Council in an overborrowed position and not making maximum use of its reserves and balances. This can be explained as follows:

- The Council has reserves that are ringfenced and cannot be used to fund capital expenditure.
- Some Council reserves need to be cash backed e.g. Housing Revenue Account (HRA)
- Higher than forecast reserve balances as the use of reserves in recent years was less than projected due to the slippage of the capital programme.
- The Council took PWLB funding in the last few years at favourable rates to mitigate interest rate risk with the Council's borrowing need.



5.21 From year two onwards the chart shows that external borrowing falls below the Council's Capital Financing Requirement. For as long as usable reserve balances are available the Council will maintain an under borrowed position, i.e. the capital borrowing need of the Council will not be fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow will be used as an interim measure to finance the Council's borrowing requirement. This is considered prudent as interest rates are predicted to fall over the short term. Council reserve balances are projected to reduce over the period under review and the Council will need to borrow externally to finance the capital programme it has committed to throughout the 30 year period.

5.22 The Council currently holds significant investments, but these are expected to reduce as reserves are spent. The Council will maintain a £30m investment buffer as part of the treasury management liquidity benchmark, the value of this buffer will need to be kept under review in the context of the current inflationary factors.

5.23 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>2024/25 £M</b>	<b>2025/26 £M</b>	<b>2026/27 £M</b>	<b>2027/28 £M</b>	<b>2028/29 £M</b>
Borrowing	279.169	311.366	325.428	331.692	333.185
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>279.169</b>	<b>311.366</b>	<b>325.428</b>	<b>331.692</b>	<b>333.185</b>

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

5.24 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.

5.25 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.

5.26 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.

- 5.27 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.
- 5.28 Further detail is contained in the Council's Treasury Management and Investment Strategy for 2023/24, the strategy for 2024/25 will be taken to Cabinet in the Spring.

### **Investment Strategy**

- 5.29 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 2023/24 the Council has placed 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 will continually review the financial stability of all parties with whom it places investments.
- 5.30 The Council will seek to maintain a minimum £30m investment balance in addition to any working capital surplus during the period. Investments across the portfolio as at 31<sup>st</sup> March 2023 totalled £93.920M.

### **IFRS 16 Leasing**

- 5.31 The CIPFA LAASAC Local Authority Accounting Code Board has deferred implementation of IFRS16 which deals with the way the Council accounts for its lease arrangements until 1<sup>st</sup> April 2024, the 2024/25 financial year. 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. 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 will be incorporate and reported as part of the Strategy in the Spring.

## 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 CO<sub>2</sub> 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 Sustainable Communities for Learning programme is committed to contributing to the decarbonisation agenda. Prior to Welsh Government's declaration that all new schools would be Net Zero Carbon, the Sustainable Communities for Learning programme was delivering carbon reduction measures as part of its projects. To ensure the programme can continue to deliver net zero carbon schools following the Welsh Government announcement in November 2021, the Council has produced a Sustainability Framework and identified the following key processes and enabling structures 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

6.1 Welsh Government announced in November 2021 that all new school projects within the Sustainable Communities for Learning Programme will be required to meet net zero carbon (in operation) from January 2022 onwards. This excluded projects which had already received Outline Business Case approval at the time of the announcement. Following this announcement Welsh Government committed to fund 100% of all net zero carbon costs on projects within Band B of the programme. The Council has created a net zero carbon in operation school building model which has built upon the low carbon model previously implemented on projects in Band B. South Point Primary School was the first project in the Authority and in Wales to achieve net zero carbon in operation. This design supports the Welsh Government's Low Carbon Delivery Plan and achieving a net-zero public sector by 2030. To achieve net zero school designs have been

amended to maximise solar gain, improve insulation, increase use of renewables (including battery storage), and install air source heat pumps. Following the implementation of the net zero carbon school model at South Point Primary, the model has been implemented on all new schemes including Cowbridge School Primary building, Centre for Learning and Wellbeing (Derw Newydd) and St Nicholas CiW Primary School. There is an additional cost associated with the delivery of net zero carbon. The uplift in costs range between £500,000 to £1,000,000 for new primary schools depending upon the scale of the development. These costs are currently 100% funded by Welsh Government and will continue to be funded at this rate in the rolling programme. This commitment has been announced on the Welsh Government Sustainable Communities for Learning webpage as seen in the link: <https://www.gov.wales/sustainable-communities-learning-rolling-programme.html#:~:text=The%20rolling%20programme%20will%20strengthen,ambitious%20proposals%20during%20what%20is>

- 6.2 The Council has organised a decarbonisation sub-group to drive the reduction of carbon emissions as part of the Sustainable Communities for Learning Programme and wider Education investments. 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.
- 6.3 Decarbonisation Programme - A variety of energy reduction measures and renewable energy installations have been identified across several assets within the council's 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 Salix funding. £650k has been included in the 2023/24 Capital Programme, £500k from reserves and £150k from the Salix Recyclable funding. Schemes totalling the value of £274k have been identified including:
- Penarth Learning Community 3G Pitch LED
  - Dinas Powys Junior LED
  - Community Enterprise Centre, Holmview LED
  - Alps Garages LED
  - Pen y Garth Primary LED
  - Cogan Primary PV
  - Llangan Primary PV
  - Ty Dewi Sant Residential Home PV

The schemes have been presented to and approved by the Project Zero Board and £376k remains unallocated within the programme. Internal discussions are ongoing to allocate the remaining budget.

- 6.4 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".
- 6.5 In 2021/22 a grant was awarded to the Council by Energy Services Wales (through Welsh Government) to cover the difference in cost between a diesel and electric vehicles, which accelerated the transition process and allowed the Council to purchase 12 electric vehicles which will sit within the pool car fleet. The grant was match funded by the Council using ring fenced reserves.
- 6.6 These 12 vehicles, Hyundai e-Kona's, have replaced at least 12 of the current diesel vehicles. Further additions of electric pool cars will be undertaken as Energy Service Wales make further grant available or other funding becomes available.
- 6.7 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.
- 6.8 The Council's fleet and workplace charging is being addressed with the installation of 80 charging points at the Alps, Civic Offices.
- 6.9 £3.389M has been built into the Capital Programme (£35k was spent in 2022/23 and £3.354m in 2023/24) 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.
- 6.10 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	6,916
Total	242,524	219,079	23,445

6.11 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	551	58

6.12 BSC2 – The council has installed its first air source heat pump at the BSC2 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 use 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.

6.13 Penarth Leisure Centre Boiler Renewal – A scheme to replace the ageing inefficient boilers at the site has been completed. 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 have been installed to allow for the buildings occupation and outside temperatures to be accounted for.

6.14 Barry Leisure Centre Boilers – 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. Following identification that the main boilers were inefficient and had regular maintenance issues, a scheme has been delivered with more efficient boilers and better controls.

6.15 The Council has a number of earmarked reserves that can be utilised to support the delivery of Project Zero as set out below.

- Energy Management Reserve – This reserve includes the Salix recyclable fund but also includes energy management income.
- Project Zero Reserve - Any spends committed from reserve has to be approved by the Project Zero Board.
- Energy Pressures Reserve - to help the Council manage the volatility associated with energy costs.

6.16 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 now includes explicit consideration of the impact on climate and nature emergencies as part of all Cabinet reports.

6.17 The proposed Investment 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. This scheme is being requested to be added to the 2023/24 capital programme as part of this report. 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.

6.18 More detail can be found within the [Project Zero update report](#).

## **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 Investment and Growth Fund can be used for schemes where robust business cases are brought forward. This reserve currently has a projected balance of £2.233M as at 31<sup>st</sup> March 2024 and £2.2M is ringfenced for the Non Treasury Investment Strategy. The 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 several 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 updated its Procurement Policy & Strategy which seeks to ensure its objectives for the delivery of social value, equality, supporting the local economy and climate action are all met as well having effective and efficient practices. It is intended to encourage everyone to think about their actions in support of the corporate vision of being a greener Council. The Council has a Procurement Code of Practice and Contract Procedure Rules which will be reviewed following approval of the new Policy & Strategy. These documents support effective and sustainable procurement throughout the 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 considers 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, variations 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 30 years), Operational Manager Accountancy (CIPFA Over 10 years), Finance Support Manager (CIPFA over 7 years), Capital Accountant (ACCA 3 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 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 were appointed to deliver the Treasury Management induction training for Members earlier this year.

- 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 Environmental, Social & Governance (ESG)

- 10.1 Project Zero is the Vale of Glamorgan Council's response to the climate change emergency. Project Zero brings together the wide range of work and opportunities available to tackle the climate emergency, reduce the Council's carbon emissions to net zero by 2030 and encourage others to make positive changes. In July 2019, The Council joined Welsh Government and other Local Authorities across the UK in declaring a Climate Emergency in response to the United Nations' Intergovernmental Panel on Climate Change report into the impact of global warming. Since then, the Council has continued to make changes across the organisation embarking on ambitious projects to reduce the Council's carbon emissions and to send a clear message that we must all work together to adapt to and mitigate the effects of climate change.
- 10.2 Further information on the Council's decarbonisation schemes within the capital strategy can be found in section 6.
- 10.3 Ethical investing is a topic of increasing interest to members, and one that is also being raised through officers. However, investment guidance, both statutory and from CIPFA, makes clear that all investment activities must adopt the principles of security, liquidity and yield and therefore ethical issues must play a subordinate role to those priorities. Most of the Council's investments are placed with the UK Government or Local Authorities. As the majority have declared a climate and nature emergency, the Council are accepting that they are following ESG principles and therefore will continue to place investments with them. Should the Council become aware of any Local Authority that goes against these principles the Council will no longer consider the organisation for investment purposes.
- 10.4 The remainder of the Council's investments are placed with the CCLA & Federated Hermes money market funds domiciled in the UK. Both are AAA rated by the three main credit rating agencies. Credit rating agencies now incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings Both money market funds recognise their responsibilities concerning ESG and their approach to and policies for ESG are summarised in the Treasury Management Policy Statement in Appendix 2 to the Treasury Management Strategy on the same agenda as this strategy.
- 10.5 The Council's appointed banker is Lloyds Bank PLC and has two interest yielding deposit accounts. Lloyds Bank's approach to ESG is as follows:
- 'Lloyd's strategy focuses on building an inclusive society and supporting the transition to a low carbon economy as this is where we can make the biggest difference, whilst creating new avenues for our future growth. It is only by doing right by our customers, colleagues, and communities that we can achieve higher, more sustainable returns for investors, and generate value for all our stakeholders. ESG performance measures to continue to drive progress towards our environmental sustainability and our diversity and inclusion ambitions.'
- 10.6 The Procurement and Policy Strategy 2022/23 to 2026/27 seeks to ensure the Council's procurement decisions are consistent with its Project Zero commitments and take account of the climate and nature emergencies and to make procurement

spend more accessible to local small businesses and the third sector by stimulating the local economy and promote the attainment of social and environmental benefits through the procurement process.

- 10.7 Procurement has an important role to play in strengthening and growing the local economy and supporting local employment. As a major procurer in the county, the Vale of Glamorgan Council recognises the need to leverage its purchasing power to support residents to secure good employment and to help local businesses and voluntary and community organisations to thrive.
- 10.8 Contractors, suppliers and service providers engaged to work for the Council must show a commitment to the county, its residents and businesses. Suppliers are encouraged to support the local economy through the use of local businesses in their supply chains and by building social value into their contracts, including using local labour wherever possible to fulfil contract obligations.

## **11 RISKS TO THE STRATEGY**

11.1 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**

11.2 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 considered in judgements about the medium to long term goals and objectives of the Council.

### **Resource Risks**

11.3 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.

11.4 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**

11.5 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**

11.6 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 Sustainable Communities for Learning 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.

- 11.7 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.
- 11.8 Conditions following 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.
- 11.9 In the current economic climate capital schemes are encountering significant inflationary pressures on construction costs which can necessitate scheme re-engineering or re-tendering. Project officers are also reporting long lead time on the delivery of materials and a shortage of skills in some areas. This impact will be monitored closely as part of the regular monitoring arrangements with project managers and sponsors.

### **Mitigating Risk**

- 11.10 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.
- 11.11 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.
- 11.12 Commissioning and procuring for capital schemes must comply with the requirements set out in the Council's Constitution, Financial Regulations and Contract Standing Orders.
- 11.13 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.
- 11.14 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.

11.15 The Council has not undertaken any material commercial activities.

## 12 CAPITAL STRATEGY KEY ISSUES AND RECOMMENDATIONS

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

### Priority Areas for Capital Spend

12.2 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.

12.3 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 wellbeing 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
• UK Government Shared Prosperity Fund
<b>To support learning, employment and sustainable economic growth</b>
• Sustainable Communities for Learning programme
• Cardiff Capital Region City Deal
• Transforming Towns Place Making Grant
• UK Government Shared Prosperity Fund
<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
• Empty Homes Grant
<b>To respect, enhance and enjoy our environment</b>
• Supporting decarbonisation as part of the Sustainable Communities for Learning 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>
<ul style="list-style-type: none"> <li>• Implementation of ICT and Digital Strategy</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring properties are fit for purpose for delivering services</li> </ul>
<ul style="list-style-type: none"> <li>• Requirements of external factors such as legislation changes</li> </ul>

## **Closing the Funding Gap**

- 12.4 Condition surveys have previously indicated that capital investment of circa £25M to £40M is required over the next 5 years to Schools in order to finance improvement work. An initial assessment has been undertaken to identify the possible requirements for capital investment over the next 5 years across the remainder of the Council's non HRA assets and it is estimated further investment of circa £20M to £30M may be required. 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.
- 12.5 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.
- 12.6 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.
- 12.7 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.
- 12.8 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**

- 12.9 The Council's current Corporate Plan covers the period 2020 to 2025.
- 12.10 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 Sustainable Communities for Learning programme and the Cardiff Capital Region City Deal which all cover a longer term need for investment.

12.11 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

12.12 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> <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 reserves 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	2024/25		2025/26		2026/27		2027/28		2028/29	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Learning and Skills	3,079	7,811	1,000	1,000	1,000	2,750	1,000	3,435	1,000	1,000
Social Services	1,067	1,067	725	725	100	100	100	100	100	100
Environment	3,685	3,685	2,260	2,260	2,260	2,260	2,260	2,260	2,260	2,260
HRA	34,426	40,755	29,895	35,257	18,373	23,746	16,661	22,034	22,434	25,204
Place	1,691	2,440	1,605	1,605	1,605	1,605	1,605	1,605	1,450	1,450
Resources	766	766	1,419	1,419	1,919	1,919	1,819	1,819	1,819	1,819
City Deal	1,835	1,835	2,594	2,594	0	0	0	0	0	0
Pipeline Schemes	6,966	22,370	11,693	42,138	3,511	20,177	3,000	3,000	0	0
<b>TOTAL CAPITAL PROGRAMME</b>	<b>53,515</b>	<b>80,729</b>	<b>51,191</b>	<b>86,998</b>	<b>28,768</b>	<b>52,557</b>	<b>26,445</b>	<b>34,253</b>	<b>29,063</b>	<b>31,833</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 2023</b>	<b>7,502</b>	<b>1,339</b>	<b>1,790</b>
Supported Borrowing - General Fund	3,452	3,452	Anticipated Required in 2023/24	-4,643	0	-2,605
General Capital Grant	3,545	3,545	Anticipated Receipt in 2023/24	0	0	815
<b>Total Resources from Welsh Government</b>	<b>6,997</b>	<b>6,997</b>	<b>Balance as at 31st March 2024</b>	<b>2,859</b>	<b>1,339</b>	<b>0</b>
			Anticipated Required in 2024/25	-68	0	-300
<b>Other Available Resources</b>			Anticipated Receipt in 2024/25	0	0	300
General Fund Revenue/Reserves	1,963	1,963	<b>Balance as at 31st March 2025</b>	<b>2,791</b>	<b>1,339</b>	<b>0</b>
Housing Reserves/Revenue	7,107	7,107	Anticipated Required in 2025/26	-1,280	0	0
Housing Capital Receipts	0	0	Anticipated Receipt in 2025/26	0	0	0
Education Capital Receipts	300	300	<b>Balance as at 31st March 2026</b>	<b>1,511</b>	<b>1,339</b>	<b>0</b>
General Fund Capital Receipts	68	68	Anticipated Required in 2026/27	-155	0	0
S106	0	762	Anticipated Receipt in 2026/27	0	0	0
Other External Grants	0	23,675	<b>Balance as at 31st March 2027</b>	<b>1,356</b>	<b>1,339</b>	<b>0</b>
Major Repairs Allowance	0	2,773	Anticipated Required in 2027/28	-155	0	-1,000
Unsupported (Prudential) Borrowing	35,249	35,249	Anticipated Receipt in 2027/28	1,000	0	1,000
City Deal Borrowing	1,835	1,835	<b>Balance as at 31st March 2028</b>	<b>2,201</b>	<b>1,339</b>	<b>0</b>
<b>TOTAL RESOURCES</b>	<b>53,519</b>	<b>80,729</b>	Anticipated Required in 2028/29	0	0	0
			Anticipated Receipt in 2028/29	0	0	0
			<b>Balance as at 31st March 2029</b>	<b>2,201</b>	<b>1,339</b>	<b>0</b>

Schemes	2023/24		2024/25		2025/26		2026/27		2027/28	
	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £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 Centre of Learning and Wellbeing	81	223	0	0	0	0	0	0	0	0
Band B Ysgol Y Deri	1,888	5,648	0	0	0	0	0	0	0	0
Band B Cowbridge Primary Provision (YBF)	110	110	0	0	0	0	0	0	0	0
Band B Penarth Cluster - Review Primary Provision to Include Cosmeston	0	0	0	0	0	1,750	0	2,435	0	0
<b>Asset Renewal</b>										
Schools Asset Renewal/Other	950	950	950	950	950	950	950	950	950	950
Education Asset Renewal - contingency	50	50	50	50	50	50	50	50	50	50
Community Focused Schools	0	830	0	0	0	0	0	0	0	0
<b>Total Education and Schools</b>	<b>3,079</b>	<b>7,811</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>2,750</b>	<b>1,000</b>	<b>3,435</b>	<b>1,000</b>	<b>1,000</b>
<b>Total Learning and Skills</b>	<b>3,079</b>	<b>7,811</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>2,750</b>	<b>1,000</b>	<b>3,435</b>	<b>1,000</b>	<b>1,000</b>
<b>Social Services</b>										
<b>Asset Renewal</b>										
Social Services Asset Renewal	100	100	100	100	100	100	100	100	100	100
Ty Dyfan Residential Home – Roof Renewal	290	290	0	0	0	0	0	0	0	0
Ty Dyfan Residential Home PV Panels	52	52	0	0	0	0	0	0	0	0
Social Services Invest to Save Schemes	625	625	625	625	0	0	0	0	0	0
<b>Total Social Services</b>	<b>1,067</b>	<b>1,067</b>	<b>725</b>	<b>725</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Neighbourhood Services and Transport</b>										
Vehicle Replacement Programme	800	800	800	800	800	800	800	800	800	800
<b>Asset Renewal</b>										
Asset Renewal	500	500	500	500	500	500	500	500	500	500
Neighbourhood Services Highway Improvements	750	750	750	750	750	750	750	750	750	750
Flood Risk Management	100	100	100	100	100	100	100	100	100	100
Coast Protection and Land Drainage General	110	110	110	110	110	110	110	110	110	110
<b>2021/22 and 2022/23 Capital Bids</b>										
Bridge Structures	1,425	1,425	0	0	0	0	0	0	0	0
<b>Total Neighbourhood Services &amp; Transport</b>	<b>3,685</b>	<b>3,685</b>	<b>2,260</b>	<b>2,260</b>	<b>2,260</b>	<b>2,260</b>	<b>2,260</b>	<b>2,260</b>	<b>2,260</b>	<b>2,260</b>
<b>HRA</b>										
<b>Housing Improvement Programme</b>										
<b>Total Housing Improvement Programme</b>	<b>34,426</b>	<b>40,755</b>	<b>29,895</b>	<b>35,257</b>	<b>18,373</b>	<b>23,746</b>	<b>16,661</b>	<b>22,034</b>	<b>22,434</b>	<b>25,204</b>

Schemes	2023/24		2024/25		2025/26		2026/27		2027/28	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Place</b>										
Barry Regeneration Partnership Project Fund	300	300	300	300	300	300	300	300	300	300
Access Improvement Grant	0	62	0	0	0	0	0	0	0	0
Local Places for Nature funding	0	445	0	0	0	0	0	0	0	0
Empty Homes Grant	85	85	0	0	0	0	0	0	0	0
<b>Private Sector Housing</b>										
ENABLE	0	242	0	0	0	0	0	0	0	0
Disabled Facility Grants	1,306	1,306	1,305	1,305	1,305	1,305	1,305	1,305	1,150	1,150
<b>Total Place</b>	<b>1,691</b>	<b>2,440</b>	<b>1,605</b>	<b>1,605</b>	<b>1,605</b>	<b>1,605</b>	<b>1,605</b>	<b>1,605</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	36	36	839	839	1,339	1,339	1,339	1,339	1,339	1,339
Decarbonisation Scheme	250	250	250	250	250	250	250	250	250	250
<b>2022/23 Capital Bids</b>										
Ash die back and Replanting Programme	100	100	100	100	100	100	0	0	0	0
<b>ICT Schemes</b>										
ICT allocation	0	0	200	200	200	200	200	200	200	200
<b>2023/24 Capital Bids</b>										
Edge Switching	350	350	0	0	0	0	0	0	0	0
<b>Total Resources</b>	<b>766</b>	<b>766</b>	<b>1,419</b>	<b>1,419</b>	<b>1,919</b>	<b>1,919</b>	<b>1,819</b>	<b>1,819</b>	<b>1,819</b>	<b>1,819</b>
<b>City Deal</b>										
City Deal	1,835	1,835	2,594	2,594	0	0	0	0	0	0
<b>Total City Deal</b>	<b>1,835</b>	<b>1,835</b>	<b>2,594</b>	<b>2,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Pipeline Schemes</b>										
St Richard Gwyn Redevelopment	2,084	15,427	5,259	31,719	90	13,855	0	0	0	0
Extension to Cowbridge Primary Phase 2	532	2,593	3,434	7,419	421	3,322	0	0	0	0
Changing Rooms, Ancillary facilities and replacement boxing club at the Buttrills playing field	1,350	1,350	0	0	0	0	0	0	0	0
Non-Treasury Investment Strategy	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0
<b>Total Pipeline Schemes</b>	<b>6,966</b>	<b>22,370</b>	<b>11,693</b>	<b>42,138</b>	<b>3,511</b>	<b>20,177</b>	<b>3,000</b>	<b>3,000</b>	<b>0</b>	<b>0</b>
<b>Total Value of Capital Programme</b>	<b>53,515</b>	<b>80,729</b>	<b>51,191</b>	<b>86,998</b>	<b>28,768</b>	<b>52,557</b>	<b>26,445</b>	<b>34,253</b>	<b>29,063</b>	<b>31,833</b>