

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Thursday, 06 March 2025</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Capital Strategy 2025/26 and Final Capital Programme Proposals 2025/26 to 2029/30
Purpose of Report:	The purpose of this report is to set out final proposals for Cabinet members to consider, before making their recommendations to Council, in respect of the final capital budget for the financial year 2025/26 to 2029/30 and to consider the Capital Strategy for 2025/26.
Report Owner:	<b>Report of the Executive Leader and Cabinet Member for Performance and Resources</b>
Responsible Officer:	Matt Bowmer, Head of Finance/S151 Officer
Elected Member and Officer Consultation:	Scrutiny Committees and Senior Leadership Team have been consulted on the initial budget proposals. External stakeholders were also consulted on the budget priorities
Policy Framework:	This report follows the procedure laid down in the constitution for the making of the budget. The final 2025/26 budget proposals will require the approval of Council.
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>The report provides the Council's Capital Strategy for 2025/26 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 sets out the Council's proposed Final Capital Programme for the period 2025/26 to 2029/30 at Appendix 2.</li> <li>The Council is facing significant pressures in relation to price inflation and the cost-of-living crisis which has seen increases in the costs of materials and labour. This has had an impact on the current schemes within the Capital Programme and the funding available to fund new schemes within the Capital Programme.</li> <li>The total value of capital schemes over the next five years is £434.229M and this is summarised in the table below. This includes £15.6M for the Band B Sustainable Communities for Learning</li> </ul>	

Programme (excluding the pipeline schemes), £233.8M for the Housing Improvement Programme and £21.785m for the levelling up scheme.

Table 1 – Summary of schemes in the 5-year Capital Programme

<b>Directorate</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Learning and Skills	19,342	2,309	2,000	2,000	2,000
Social Services	1,373	302	225	215	200
Environment	16,784	7,978	4,124	3,885	3,710
HRA	30,460	40,774	61,795	49,203	51,551
Place	14,889	9,785	1,821	1,150	1,150
Corporate Resources	312	294	298	473	431
City Deal	157	423	620	3,313	2,394
Pipeline Schemes	23,389	36,137	23,526	12,522	915
<b>Total</b>	<b>106,706</b>	<b>98,002</b>	<b>94,409</b>	<b>72,761</b>	<b>62,351</b>

Table 2 – Summary of funding of the schemes in the Capital Programme

<b>Funding</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Capital Funding	7,606	7,606	7,606	7,606	7,606
Capital Receipts	3,194	1,754	666	511	500
Reserves	14,790	8,083	8,316	4,155	2,594
Unsupported Borrowing	29,018	34,260	55,177	46,091	46,081
Grants and Contributions (Including S106)	52,098	46,299	22,644	14,398	5,570
<b>Total</b>	<b>106,706</b>	<b>98,002</b>	<b>94,409</b>	<b>72,761</b>	<b>62,351</b>

- Since the Draft Capital Programme proposals report in January, a number of changes have been made including changes requested in Quarter 3 Capital Monitoring report on the same agenda as this report and the inclusion of the UK Government’s Levelling up Fund. The detail of these changes is covered later in the report.

## **Recommendations**

1. That Cabinet recommend to Council that the Capital Strategy 2025/26 as set out in Appendix 1 is approved.
2. That Cabinet recommend to Council that the final Capital Programme for the years 2025/26 to 2029/30 as set out in Appendix 2 is approved.
3. That Cabinet recommend to Council that officers have the authority to vire £10k or below between schemes that are already approved within the five year Capital Programme.
4. That Cabinet recommends to Full Council that the Chief Executive and the Head of Finance/Section 151 Officer, in consultation with the Executive Leader and Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to or from the:
  - i. 2025/26 to 2029/30 Housing Improvement Programme as appropriate.
  - ii. 2025/26 to 2029/30 Asset Renewal budgets as appropriate.
  - iii. S106 funded schemes subject to Member consultation as required under the existing process.
  - iv. Decarbonisation Schemes
  - v. Building Strong Communities Fund schemes.
  - vi. Sustainable Communities for Learning programme.
  - vii. Discretionary Adaption Grant Schemes.
  - viii. Vale Regeneration Schemes.
  - ix. Shared Prosperity Fund.
5. That the use of the urgent decision procedure as set out in Section 15.14 of the Council's Constitution is used to enable the Capital Strategy 2025/26 and Final Capital Programme Proposals 2025/26 to 2029/30 to be considered by Full Council on 10th March 2025.

## **Reasons for Recommendations**

1. To approve the Capital Strategy for 2025/26.
2. To set and approve future capital programmes to 2029/30.
3. To enable officers to progress schemes more quickly where low value virements below £10k are required.
4. To enable the Housing Capital budget, Asset Renewal budgets, S106 schemes, Decarbonisation Schemes, Building Stronger Communities Fund, Sustainable Communities for Learning programme, Discretionary Adaption Grant Schemes, Vale Regeneration schemes and Shared Prosperity Fund to be managed effectively.

5. To allow the Capital Strategy 2025/26 and Final Capital Programme Proposals 2025/26 to 2029/30 to be referred to Full Council on 10th March 2025 for consideration and approval.

## **1. Background**

### **Capital Strategy**

- 1.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.
- 1.2 CIPFA released an updated version of the Prudential Code in December 2017. The revised code includes a requirement for authorities to produce a Capital Strategy. To comply with the requirements, a Capital Strategy has been produced for 2025/26 and is attached at Appendix 1. The Strategy will also be submitted to full Council for approval.
- 1.3 CIPFA published revised codes of Practice on 20th December 2021 and stated that formal adoption was required for financial year 2023/24. The Council must 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. Further information can be found in the Council's Treasury Management Strategy which is on the same agenda as this report. The revised Treasury Management Code requires an authority to implement the following:
  - Adopt a liability benchmark treasury indicator to support the financing risk management of the capital financing requirement. This is shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
  - Class Long-term treasury investments, (including pooled funds) as commercial investments unless justified by a cash flow business case.
  - Include Pooled funds in the indicator for principal sums maturing in years beyond the initial budget year.
  - Amend the knowledge and skills register for officers and members involved in the treasury management function so that it is proportionate to the size and complexity of the treasury management conducted by the Authority.
  - Prepare quarterly reporting to members. The Head of Finance/Section 151 Officer is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The HOF is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the

approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital, and balance sheet monitoring.

- Address Environmental, social and governance (ESG) issues within the Authority's treasury management policies and practices.
- Confirm a requirement for local authorities to produce an annual Capital Strategy.

**1.4** The Capital Strategy provides a framework which outlines how capital expenditure, capital financing and treasury management activity contribute to the provision of corporate objectives, along with an overview of how associated risk is managed and the implications for future financial sustainability. It therefore outlines the Council's need to acquire, dispose or enhance assets such as land, buildings, roads, vehicles & plant to provide sustainable service provision to support its objectives. As resources available to meet the capital requirements of the Council are limited, the Strategy explains how priorities are set and outlines the sources of funding available, including the level of borrowing it will need and can afford to undertake and its investment strategy.

#### **Capital Programme**

**1.5** The Council has produced a detailed five year Capital Programme, with the proposed programme for 2025/26 to 2029/30 being included in Appendix 2.

**1.6** The draft capital proposals were considered by Cabinet on 16th January 2025, minute C235, the report was presented to Scrutiny Committees in February 2025 for comment.

**1.7** In responding to the report, the Learning and Culture Scrutiny Committee held on 3rd February, the Environment and Regeneration Scrutiny Committee held on 11th February, the Homes and Safe Communities Scrutiny Committee held on 5th February, and the Healthy Living and Social Care Scrutiny Committee held on 4th February 2025 made the recommendations in relation to the requests for funding:

**1.8** T H A T the draft Capital Programme for 2025/26 to 2029/30 be noted.

**1.9** The recommendations of Scrutiny Committees were referred to the Corporate Performance and Resources Scrutiny Committee, which is the lead Scrutiny Committee for the budget. On 19th February 2025, this Committee recommended that:

**1.10** T H A T the draft Capital Programme for 2025/26 to 2029/30 be noted.

**1.11** The Budget Working Group (BWG) have had consideration for the recommendations of the Scrutiny Committees when preparing the final 2025/26 capital programme.

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

### **Capital Strategy**

- 2.1** The Capital Strategy looks at a longer term view of the Council's capital investment requirements. This is the sixth year that the Capital Strategy has been produced in this format, it will be updated bi-annually and will evolve over future years.
- 2.2** There are several factors that will influence the Council's priority areas of spend and its future capital investment. The Capital Strategy outlines the various Council strategies which identify the priority areas for capital investment and the external factors that result in the need to incur capital expenditure.
- 2.3** It is difficult to predict capital resources over a long term period as the level of general capital funding provided by Welsh Government is usually advised on a year by year basis and their priority areas of spend, which they influence by the provision of specific grants, will change over a period of time. Capital receipts are difficult to predict. Whilst the Council will strive to maximise receipts where possible there is uncertainty due to the current economic climate and this could have an impact on developments.
- 2.4** Condition surveys were completed for all Schools in early 2022; based on these surveys and further deterioration in the condition of a number of buildings since, it is estimated that capital investment of circa £30M to £35M is required over the next 5 years to fund required improvement work.
- 2.5** In the near future a programme of condition surveys is planned to be carried out on the Council's other buildings (excluding HRA). An initial assessment has been undertaken to identify the possible requirements for capital investment over the next 5 years and this is estimated to require capital investment of between £30M to £40M.
- 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. The Council has always been prudent regarding its borrowing and does not take risks when investing; the Treasury Management Strategy for 2025/26 sets out the Council's intentions to place investment with the UK Government or other local authorities or AAA rated money market funds.
- 2.9** The Council has developed a Non Treasury Investment Strategy, it is intended to address opportunities identified in the Council's Recovery Strategy to support innovative business and economic regeneration, increase capital programme investment, focus on green jobs, and green infrastructure. The fund for Investment totals £12M with £200k earmarked from the Risk and Reshaping reserve for feasibility and due diligence costs and the initial costs associated with

specialist Non Treasury Investment Advice. This is funded using £12M of prudential Borrowing. Within the five year Capital Programme £1.05m of this has been used to match fund the Levelling Up Scheme, this is detailed later within the report. 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.

- 2.10** As part of the Strategy, confirmation of any material commercial activities needs to be detailed. On 1st January 2020, the Council set up a Local Authority Trading Company to deliver catering services called the Big Fresh Catering Company. The Council owns 100% of the company shares. This Council does not have any other material commercial activities.
- 2.11** In considering this Strategy the Council will need to undertake several actions to make the most of potential funding and to meet the requirement to invest in assets. These are detailed in the Strategy.

### **Capital Resources Available**

- 2.12** Details of the different sources of funding available to finance capital expenditure are outlined in Section 3 of the Capital Strategy.
- 2.13** On 10th February 2025, the Welsh Government (WG) announced the final 2025/26 General Capital Funding (GCF) settlement which was £7.606m, being made up of £4.229m grant and £3.377m of supported borrowing. This is a £620k greater than the general capital funding of £6.986m that was allocated for 2024/25.
- 2.14** The final settlement advised:
- “The Welsh Government received an increased capital settlement for 2025-26 and in the draft settlement I was pleased to be able to increase general capital funding by £20m to £200m to support the inflationary increases in costs and give more flexibility to Authorities in financing smaller capital projects and refurbishment or schemes such as Disabled Facility Grants. As a result of the budget agreement between the Welsh Government and Jane Dodd MS, leader of the Welsh Liberal Democrats, the Final Budget includes an additional £5m for the Low Carbon Heat Grant to increase the support available to local authorities to install low carbon heating systems in their leisure centres making them greener, warmer and more sustainable. This takes this funding to £35m. We have had some excellent examples where this funding can be used in stand-alone projects or as part of wider capital programmes to reduce the carbon footprint of the local authority estate.
- The Welsh Government is expecting multi year settlements for resource and capital at the conclusion of the UK Spending Review during the first half of 2025 which will provide much needed certainty for us and our partners. I hope to be able to provide a more than one-year indicative local government settlement budget at the next provision budget.”

- 2.15** The Council are still waiting to hear further information regarding the Low Carbon Heat Grant in year. A multi year settlement as indicated above will be welcomed in the future as it will enable more robust long term financial planning, however as no further indication has been received from Welsh Government at this time, it has been assumed that from 2026/27 onwards, the level of capital funding will be flatlined at £7.606m and will then remain constant for the remainder of the period of this programme.
- 2.16** On this basis, the following table represents the capital funding from the Welsh Government assumed as part of the 5-year programme:

Table 3 – Assumption of Five-Year Funding from Welsh Government

<b>Welsh Government Funding</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Supported Borrowing General Fund	3,377	3,377	3,377	3,377	3,377
General Capital Grant	4,229	4,229	4,229	4,229	4,229
<b>TOTAL</b>	<b>7,606</b>	<b>7,606</b>	<b>7,606</b>	<b>7,606</b>	<b>7,606</b>

- 2.17** Another means of financing capital expenditure is through capital receipts resulting from the sale of assets. Capital receipts are difficult to predict albeit the Council will strive to maximise receipts where possible. The uncertainty in the current economic climate could have an impact on projections and therefore the Council needs to be prudent when allocating capital receipts to be used a capital funding.
- 2.18** 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.
- 2.19** 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.
- 2.20** Projected use and income generated from the sale of assets for the next 5 years is shown in the following table.

Table 4 – The use of capital receipts in the 5-year Capital Programme

<b>Capital Receipts</b>	<b>General</b>	<b>Ring-fenced Social Services</b>	<b>Ring-fenced Education</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Projected Balance as at 31st March 2025	4,721	666	0
Anticipated Requirements – 2025/26	(2,469)	(625)	(100)



Anticipated Receipts – 2025/26	0	0	100
Balance as at 31st March 2026	2,252	41	0
Anticipated Requirements – 2026/27	(1,754)	0	0
Anticipated Receipts – 2026/27	964	0	0
Balance as at 31st March 2027	1,462	41	0
Anticipated Requirements – 2027/28	(166)	0	0
Anticipated Receipts – 2027/28	0	0	0
Balance as at 31st March 2028	1,296	41	0
Anticipated Requirements – 2028/29	(11)	0	(1,000)
Anticipated Receipts – 2028/29	1,000	0	1,000
Balance as at 31st March 2029	2,285	41	0
Anticipated Requirements – 2029/30	0	0	0
Anticipated Receipts – 2029/30	0	0	0
Balance as at 31st March 2030	2,285	41	0

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

**2.22** Due to the current financial situation, there is an increasing pressure upon all internal sources of funding which is resulting in a significant use of reserves within year and over the next five years. The Council needs to safeguard the remaining reserves to be able to mitigate risks should unforeseen expenditure occur. Projected reserve balances can be found in the table below:

Table 5 – Use of Reserves

As at	Estimated Balance 31/03/25	Estimated Balance 31/03/26	Estimated Balance 31/03/27	Estimated Balance 31/03/28	Estimated Balance 31/03/29	Estimated Balance 31/03/30
	£000	£000	£000	£000	£000	£000
General Fund	11,107	11,107	11,107	11,107	11,107	11,107
Insurance	4,878	4,878	4,878	4,878	4,878	4,878
Service Reserves	10,563	8,073	6,930	6,519	6,532	6,544
Risk and Smoothing Reserves	17,387	14,732	13,727	13,088	12,483	12,186
Capital Reserves	8,599	2,952	2,798	2,798	2,798	2,798
Schools	673	673	673	673	673	673
Housing Revenue Account	4,192	4,232	4,474	2,095	2,115	2,172
<b>Total</b>	<b>57,399</b>	<b>46,647</b>	<b>44,587</b>	<b>41,158</b>	<b>40,586</b>	<b>40,358</b>

- 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 5 years, the level of specific grant funding for General Fund capital schemes is approximately £106.11M which is around £68.08M more than the level of General Capital Funding for the same period (£38.03M). The grants include the Sustainable Communities for Learning programme, Dinas Powys Flood Resilience scheme, Restore the Thaw and the Levelling Up fund.
- 2.25** 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 2024/25. 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.
- 2.26** 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 provided further detail regarding borrowing and Section 5 provides information and indicators regarding the Council's level of borrowing.

### **Capital Programme 2025/26 to 2029/30**

- 2.27** The 2025/26 to 2029/30 Capital Proposals have been made in accordance with the principles of the Capital Strategy. Clearly, limited resources will allow only those schemes of highest corporate priority and/or risk to be pursued. Section 4 of the Capital Strategy sets out the process for prioritising capital bids.
- 2.28** This year's budget setting process has been collaborative and forensic. The budget is a regular item for update and discussion at Strategic Leadership Team, workshop sessions have been held with elected members and senior managers, and Directors have led their own directorate level planning sessions.
- 2.29** The Draft Capital Proposals advised that given the severe limitations of funding available to progress new Capital Bids and the high level of risk for the Council associated with some of the schemes submitted the approach necessitated has been that only those schemes of highest corporate priority and/or risk could be pursued.
- 2.30** The Draft Capital Proposals advised that the below bids have been put forward for funding and included in Appendix 2 of this report:

Table 6 – Capital Bids and additional pressures that are proposed to be funded:

<b>Directorate</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>

<b>Social Services</b>					
Cartref Porthceri and Southway Toilets	48	47	0	0	0
Southway Access Improvements	65	0	0	0	0
Ty Jenner Air Source Heat Pump	195	0	0	0	0
Ty Robin Goch Refurbishment	55	55	25	15	0
<b>Environment and Housing</b>					
Street Lighting LED Lantern Replacement	100	100	100	100	100
Penarth Marina Landslip	0	540	0	0	0
Fleet Parking	2,400	0	0	0	0
<b>Corporate Resources</b>					
Civic Sash Windows Replacement	0	44	48	48	48
<b>Pipeline Schemes</b>					
Romilly Primary New Dining Block	1,350	0	0	0	0
<b>Total Capital Bids</b>	<b>4,213</b>	<b>786</b>	<b>173</b>	<b>163</b>	<b>148</b>

**2.31** The below funding has been identified towards funding the capital bids detailed in Appendix 2:

Table 7 – Funding Identified

<b>Funding Identified</b>	<b>£000</b>
Corporate Landlord Reserve	204
Project Zero Reserve	195
Capital Schemes Reserve	134
Capital Grant	1,350
Unsupported Borrowing	1,880
Unallocated General Capital Funding	1,720
<b>Total</b>	<b>5,483</b>

**2.32** The funding available of £5,483m is split £4.213m in 2025/26, £786k in 2026/27, £173k in 2027/28, £163k in 2028/29 and £148k in 2029/30. The detail on how this has been allocated can be found in table 6.

**2.33** A Summary of the Final Capital Programme Proposals 2025/26 to 2029/30 and how it is funded is included in the tables below:

Table 8 – Summary of the 5 Year Capital Programme with funding

<b>Directorate</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Learning and Skills	19,342	2,309	2,000	2,000	2,000

Social Services	1,373	302	225	215	200
Environment	16,784	7,978	4,124	3,885	3,710
HRA	30,460	40,774	61,795	49,203	51,551
Place	14,889	9,785	1,821	1,150	1,150
Corporate Resources	312	294	298	473	431
City Deal	157	423	620	3,313	2,394
Pipeline schemes	23,389	36,137	23,526	12,522	915
<b>Total</b>	<b>106,706</b>	<b>98,002</b>	<b>94,409</b>	<b>72,761</b>	<b>62,351</b>

<b>Funding</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Capital Grant	4,229	4,229	4,229	4,229	4,229
General Fund (GF) Reserves/Revenue	7,812	1,543	800	800	800
HRA Revenue/Reserves	6,979	6,540	7,516	3,355	1,794
Capital Receipts General Fund	3,194	1,754	166	11	0
Capital Receipts HRA	0	0	500	500	500
Grants	50,163	43,949	20,209	14,398	5,570
S106	1,935	2,350	2,435	0	0
<b>Total</b>	<b>74,312</b>	<b>60,365</b>	<b>35,855</b>	<b>23,293</b>	<b>12,893</b>
<b>Borrowing Requirement</b>					
Supported Borrowing	3,377	3,377	3,377	3,377	3,377
Unsupported Borrowing GF	12,351	6,196	6,968	6,313	2,394
Unsupported Borrowing HRA	16,666	28,064	48,209	39,778	43,687
<b>Total Borrowing Requirement</b>	<b>32,394</b>	<b>37,638</b>	<b>58,554</b>	<b>49,468</b>	<b>49,458</b>
<b>Total Capital Programme</b>	<b>106,706</b>	<b>98,002</b>	<b>94,409</b>	<b>72,761</b>	<b>62,351</b>

**2.34** Since the draft Capital proposals in January, several amendments have been made to the five year Capital Programme and these are outlined in the paragraphs below.

**2.35** Slippage and reprofiling that has been requested as part of the Quarter 3 Capital Monitoring report, which is on the same agenda as this report, has been included in Appendix 2 and further details can be found within that report.

- 2.36** Several Emergency Power requests have been approved and are detailed in the appendix to the Q3 Capital Monitoring report on the same agenda as this report. Emergency Powers approved include the inclusion of additional Schools maintenance grant for £715k from Welsh Government in 2024/25, which will be displaced and spent in 2025/26 Capital Programme. An increase in the St Cyres Extension scheme budget of £420k has been approved funded from S106 money, along with a re-profile of the scheme, £420k in 2024/25 and £632 in 2025/26.
- 2.37** The Disabled Facility Grants (DFG) budget has been split between DFG's and Discretionary Adaption Grants (DAG). Since the introduction of the new DAGs as part of the New Independent Living Policy, the expectation for the foreseeable future is that the applications for these grants will be received and given out on a split of DFG (60%) and DAG (40%). A review of the conditions will be undertaken shortly in relation to DAG, which could impact this split.
- 2.38** The Council was advised in 2023 that it had been awarded grant for the UK Government's Levelling Up Fund totalling £19.785m. Match funding of £2m is funded from £950k ringfenced reserves and a £1.051m virement of borrowing from the Non Treasury Investment strategy fund scheme. The Council has entered into a Memorandum of Understanding with UK Government based on the original timeframes. The Levelling Up grant, if approved, would be used to fund the refurbishment of the Docks Offices, the construction of a new Barry Watersports Centre, the development of a new Linear Park, and a Marina and subsequent facilities and infrastructure. The validation process is now underway with UK Government with revised funding profiles submitted. Approval of these revised timelines and extension to funding will be considered as part of the spring statement. Adjustments to bids are subject to acceptance from the UK Government. This scheme has been included in the capital programme to reflect the above, subject to UK Government approval, the profiles are provided in the table below:

Table 9 Profile for Levelling Up Fund

<b>Levelling Up Fund</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Grant	12,035	7,750	0	19,785
Reserves	824	125	0	949
Non-Treasury Investment Fund (borrowing)	0	535	516	1,051
<b>Total</b>	<b>12,859</b>	<b>7,875</b>	<b>516</b>	<b>21,785</b>

- 2.39** Welsh Government has confirmed that it is making revenue support available to Councils to enable authorities to consider borrowing to undertake highways works under a Local Government Borrowing Initiative. On this basis, a figure of £2.699m has been included within the 2025/26 Capital Programme and £1.799m for 2026/27.
- 2.40** The £1.350m grant bid that was submitted to Welsh Government in relation to the Romilly Primary New Dining Block scheme has been approved by Welsh Governments Education Investment Panel. This funding is subject to Cabinet Secretary approval. In the Draft Capital Proposals report this scheme was built into

the programme funded from prudential borrowing however this has now been amended to be funded from grant funding subject to the above.

- 2.41** A grant bid has also been submitted in December for the Ty Jenner Air Source Heat Pump scheme, the Council are awaiting the outcome of the bid and the scheme is currently funded from the project zero reserve. If the grant funding is awarded the internal funding will not be required to be drawn down from the reserve.
- 2.42** The draft Capital Proposals advised that the Asset Renewal budgets for each directorate would be reviewed and schemes would be identified prior to the approval of the Final Capital proposals for 2025/26 to ensure that funding is allocated to priority schemes. Learning and Skills Asset Renewal allocation was approved as part of the Draft Capital Programme Proposals Report on 16th January 2025. A full breakdown of the Asset Renewal budgets for Social Services and Environment and Housing is now included in the 2025/26 capital programme in Appendix 2.
- 2.43** 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.
- 2.44** Potential funding for 2025/26 onwards which has not been allocated to specific schemes is shown under the All Services Asset Renewal heading.
- 2.45** The Council launched its Let's Talk about Life in the Vale Survey in August 2023. The survey was different to other Vale wide surveys that the Council had run in the past. It didn't simply ask how satisfied people are with Council services. Instead, there was a genuine attempt to understand what life is like for people living in the Vale of Glamorgan and how public services affect this. This approach was being taken to enable (wherever possible, within funding constraints) services to be developed in a way that means they will improve people's quality of life, and wherever possible address the issues that matter to those who live in the Vale of Glamorgan.
- 2.46** The survey provided a wealth of data and much of this fed into deliberations on setting the budget for 2024/25 and the finances across the medium term. Much of this remains relevant to 2025/26. There were 4,009 responses to the survey.
- 2.47** Residents were asked about their priorities and to rank their importance. The top priority for 42% of the population was 'Easily accessible care and health care services when I or my family need them' and 78.1% ranked this in their top three priorities. Second at 26.6% was 'buy or rent a good quality home' and 47.6% ranked this in their top three. It is reassuring that these are areas that the Council is focussing resources on through its Capital Programme.
- 2.48** 68% of respondents stated they were either very or fairly concerned with the climate emergency and 65% were either very or fairly concerned with the nature emergency. 73% of respondents were also very or fairly concerned about services and support for older people and 61% about services and support for young people. All of these are areas of priority for the Council as reflected in the Council's Capital Programme.
- 2.49** The UK Government Ministry of Housing, Communities and local Government has announced a funding package to Barry under the Long Term Plan for Towns

programme. In a letter dated 13th December, each place will receive up to £20m of funding and support over the next decade, giving communities the space and resource to build their vision for renewal and target the root causes of deprivation. Capital Programme delivery will commence in 2026/27 and this will be added to the Capital Programme via a Cabinet Report on this scheme once funding, profiles and schemes are known. Revenue funding to undertake capacity building and development work will be released in 2025/2026 as expected.

**2.50** In a letter dated 13th December 2024 from the UK Government Ministry of Housing, communities and local Government, the Council has been awarded an indicative allocation for UK Shared Prosperity Fund 2025/26 totalling £4.706m, the current split of this £3.401m is revenue funding and £1.304m capital funding, however this could change. This scheme is an extension of the current scheme which has been running since 2022 and is part of the UK Governments commitment to level up all parts of the UK. The aim of the grant is to build pride and increase life chances through three investment priorities:

- Communities and Place
- Supporting Local Business
- People and Skills

This will be added to the capital programme through a Cabinet report once the memorandum of understanding has been received.

### **School Investment Strategy**

**2.51** 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.

**2.52** The first tranche of schemes under Band A was 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.

**2.53** Great progress has been made in the Sustainable Communities for Learning Programme, nine 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, Pencoedre High School, Ysgol St Baruc, St Nicholas Primary, Y Bont Faen (Cowbridge Primary Provision) and Derw Newydd (Centre for Learning and Wellbeing). Ysgol Y Deri is the last school being delivered under Sustainable Communities for Learning Programme. The contractor went into administration in September 2024, delaying the project. Another contractor has been appointed to deliver the scheme and will start enabling works in February 2025, with scheme completing by early 2026.

**2.54** The total of the Band B programme is currently £150.724M between 2018/19 and 2026/27.

**2.55** The Rolling Programme was submitted and approved by Cabinet on 7th March 2024. Welsh Government approved the Vale of Glamorgan's Rolling Programme 8th

August 2024. The next wave of investment will see new schemes developed over the next 9 years, subject to funding and business case approval.

- 2.56** There are currently three schemes within the Capital Programme that are part of the Sustainable Communities for Learning rolling programme, St Richard Gwyn redevelopment, Cowbridge Primary Phase 2 (Ysgol Iolo Morgannwg) and Penarth Cluster - Review Primary Provision to Include Cosmeston. These schemes are subject to the approval of full business cases and further Cabinet reports.
- 2.57** A capital bid was submitted in relation to the redevelopment of Sully Primary School. Ongoing discussions are progressing around this scheme and therefore it has not been included in the Capital Programme at this time. This scheme would also be firstly subject to Cabinet approval and then a full business case would be required to be approved through Welsh Government for Sustainable Communities for Learning Grant Funding.
- 2.58** The rolling programme budget totals £89.671M between 2022/23 to 2029/30. Further information can be found in section 2 of the Capital Strategy.

#### **Housing Improvement Programme**

- 2.59** 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 most recent version of which was brought to Cabinet in January 2025. 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.
- 2.60** The sources of funding to be used to finance HRA expenditure in 2025/26 to 2029/30 are detailed in the table below.

Table 10 – HRA Funding

<b>Funding</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>	<b>2029/30 £000</b>
Revenue/Reserves	6,979	6,540	7,516	3,355	1,794
MRA Grant	2,770	2,770	2,770	2,770	2,770
Capital Receipt	0	0	500	500	500
Unsupported Borrowing	16,666	28,064	48,209	39,778	43,687
S106	1,245	600	0	0	0
Other Grant	2,800	2,800	2,800	2,800	2,800
<b>Total Budget</b>	<b>30,460</b>	<b>40,774</b>	<b>61,795</b>	<b>49,203</b>	<b>51,551</b>

- 2.61** The Table below shows the projected balances on HRA reserves over the next 5 years:



Table 11 – HRA Reserve

As at:	Year	Closing HRA Working Balance
		£000
31/03/25	Current	4,191
31/03/26	1	4,232
31/03/27	2	4,474
31/03/28	3	2,095
31/03/29	4	2,115
31/03/30	5	2,172

### Next Steps

- 2.62** The final settlement announced by Welsh Government on 20th February 2025 and has informed the Final Capital Proposals report.
- 2.63** Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than 6th of March 2025 and that Cabinet’s final Capital Programme proposals will be considered by Council at a meeting to be held on 10th March 2025 to enable the Council Tax to be set by 11th March 2025.

## 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 new Corporate Plan, Vale 2030. Some examples are:
- Creating Great Places to Live, Work and Visit** - 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. Funding has been secured through UK Government Levelling UP Fund and Towns Fund which will see huge investment in Barry. Investment in housing through the Housing Improvement Programme will maintain the Welsh Housing Quality Standard, consideration of alternative heating measures and new developments.
  - Respecting and Celebrating the 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. The Council continues to improve the energy efficiency of its housing stock to meet the requirements of Welsh Government legislation in relation to decarbonisation.

- **Giving Everyone a Good start in Life** - We show our commitment to the youngest people in our community by further investment in schools through the School Investment Programme. We are committed to working together to provide the support children and families need with schemes such as our Early Years and Childcare programme. We will continue our work around our community focused schools, recognising the value schools bring to the local community and ensure that we continue our investment in leisure centre and playgrounds.
- **Supporting and Protecting Those who Need Us** - We will ensure that our residents who need more support are able to access schemes such as the Disabled Facility Grant, Discretionary Adaptions Grant and Enable. There is a budget of £1.4M for Social Services Invest to Save across 2024/25 and 2025/26 which will provide accommodation and services to safeguard children, older people and those who are most vulnerable. We work collaboratively with a range of partners to deliver schemes to prevent and tackle poverty such as Tackling Food Poverty and take forward our work to ensure the Vale is a Country of Sanctuary through schemes within our Housing Improvement Programme.
- **Being the best Council We Can Be** - Consultations are carried out with the community on capital projects. Participate Vale allows the community to have their say and get involved with Council decisions and local issues in the Vale of Glamorgan

**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. Several projects are included in the Capital Programme which will assist the work the Council is undertaking as part of Project Zero and commitments in the Council's Climate Challenge Plan. Specifically, funding has been set aside for a programme of decarbonisation works and to support the delivery of the Tree Strategy. More detail can be found in the Section 6 of the Capital Strategy. All schemes progressed as part of the Capital Programme proposals set out the decarbonisation considerations that will be considered as part of progressing the bids.

## **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 £293.220M. The total gross capital expenditure is £434.229M.
- 5.2** In line with the overall Financial Strategy, in order to resource the Capital Programme, £11.75M of general fund reserves will be utilised over the period of the Capital Programme 2025/26 to 2029/30, 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.

### **Employment**

- 5.4** 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)**

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

## **6. Background Papers**

Local Government Final Settlement letter dated 20<sup>th</sup> February 2025.



VALE of GLAMORGAN COUNTY BOROUGH COUNCIL

# CAPITAL STRATEGY

2025/26



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## 1. INTRODUCTION AND AIMS OF THE CAPITAL INVESTMENT STRATEGY

### Introduction

- 1.1 The Council's Capital Investment Strategy sets out how the Council aligns its capital spending with its Corporate Plan objectives, the Annual Delivery Plan and provides assurance that the spending proposals are affordable and align with the asset management strategies. As part of this the document sets out how new proposals are added to the Capital Investment Programme in the context of the limited resources available.
- 1.2 The Council's Capital Investment Programme totals £434,229M over the five year period and draws funding from a variety of sources including Welsh Government grant, contributions from developers and borrowing.

### Looking Back

- 1.3 It is important to look back and recognise the work undertaken in Capital Programme, detailed below are paragraphs highlighting some of the schemes that have been delivered over recent years.
- 1.4 Knap Skate Park - Construction of the Richard Taylor Memorial skatepark in Cold Knap Gardens is complete and the skatepark opened on 7<sup>th</sup> October 2023. The project was delivered by a specialist skatepark contractor with close liaison with the key stakeholders and user groups to deliver a fantastic new facility that has been well received by the wheeled sports community. A number of match funders were secured alongside internal funds including that from Sports Wales, UK GOV Shared Prosperity Fund, The Lottery and the Richard Taylor Memorial Trust.

#### Knap Skate Park Opening



- 1.5 Sustainable Communities for Learning – A joint funded scheme between Welsh Government and the Council aimed at ensuring the standard of learning environments are fit for purpose, that there are sufficient places available for 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 the Council's own local strategies. To date, considerable progress has been made, nine schools within the Band B Programme are now operational.

## Derw Newydd



- 1.6 HRA Hayes Road - In 2022 the Council completed a scheme of 23 new homes for social rent at Lon y Felin Wynt off Hayes Road, Barry and tenants from the Council's Homes4U waiting list have moved in. The Scheme consists of 19 four person two bedroom houses and 4 five person three bedroom houses. This was the Council's first package deal contract, completed successfully by a development partner using local subcontractors and suppliers, many based on the adjacent Trading Estate. The scheme was constructed using modern methods of construction and utilises a structurally insulated timber panelised system, with all windows also pre-installed.

### Hayes road social rent development



### Aims

- 1.7 The Capital Investment 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.

- 1.8 The Strategy should look to the longer term and is supported by a detailed Capital Programme for five years covering the period 2025/26 to 2029/30. This is the sixth year that the Capital Strategy has been produced. The strategy will be updated bi-annually and evolve over future years.
- 1.9 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 2024 have a net book value of £820M (excluding Infrastructure) which includes £213M relating to housing stock.

### **Definition of Capital and Capitalisation Policy**

- 1.10 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.
- 1.11 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**

- 1.12 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. CIPFA released an updated version of the Prudential Code in December 2017 and published revised codes of Practice on 20th December 2021. Further information on the Prudential Code can be found in Appendix 1a.

## **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 Council's updated Corporate plan, Vale 2030 for 2025- 20230 is on the same agenda as this Strategy.
- 2.3 Vale 2030 effectively sets out the objectives and actions for the next five years, our key challenges and priorities. It provides a framework for annual plans, 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 agreed corporate priorities.
- 2.4 It sets out a vision and values and details 5 new well-being objectives and the activities that will be undertaken in 2025-30 to deliver these objectives. The Capital Programme should be set having regard to the Council's corporate priorities, which are included in Vale 2030 through the 5 objectives. These are as follows:
- Creating great places to live, work and visit.
  - Respecting and celebrating the environment.
  - Giving everyone a good start in life/great start.
  - Supporting and protecting those who need us.
  - Being the best Council, we can be.
- 2.5 Vale 2030 must set out the Council's Well-being Objectives and reflect how the Council will contribute to the seven national well-being goals. Vale 2030 must also show how the five ways of working as set out in the Well-being of Future Generations (Wales) Act 2015 (involvement, long-term, prevention, integration and collaboration) are embedded in the work of the Council. Vale 2030 has also been developed with due regard to PSB priorities.
- 2.6 A new approach is being taken forward and work has commenced on five annual Directorate Plans which will replace the 15 annual service plans and which will be reported to Scrutiny committees and Cabinet in March/April. An Annual Statement will be produced which will be shaped by Vale 2030, annual budget and Directorate Plans. The new approach is being informed by the views of residents, partners, staff, elected members and other stakeholders, how we can make better use of technology, the approach undertaken by other Councils, the views of Audit Wales and the recommendations of the Panel Performance Assessment. Current procedures are robust, but they are resource intensive and Vale 2030 provides the opportunity to review the current systems and how we work.

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

- 2.7 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.

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

2.8 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](#).

2.9 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.

### **Highways Asset Management Plan**

2.10 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**

2.11 As of 31st March 2024, the Council's housing stock stood at 3,977 dwellings.

2.12 The Housing Investment Programme continues to balance developing new homes whilst remaining focused on investing in existing tenants' homes and neighbourhoods, directly contributing to maintaining compliance with the Welsh Housing Quality Standard (WHQS). The current Housing Asset Management Strategy is being reviewed to set out the Council's ongoing vision for investment in the housing stock and our estates to comply with the continued and additional requirements of WHQS 2023, along with developing new homes to meet the needs of tenants of the Housing service. Tenants of the Council will be consulted on the Housing Asset Management Strategy.

- 2.13 The key areas of investment for the Council will be the continued compliance with the new updated WHQS, development of new Council homes to meet increased housing demand in the social rented sector and improvement of the existing housing stock to meet the challenges of zero carbon emissions by 2035.
- 2.14 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 13th of January 2025. This Plan forms the basis of the Compensation Award (formerly Major Repairs Allowance), Optimised Retrofit Programme (ORP) and Social Housing Grant (SHG) grant applications, which are pivotal financing components for the Housing Improvement Programme. The total capital spend in the HRA between 2025/26 to 2029/30, is anticipated to be £233.783M.
- 2.15 By the end of March 2025, the Housing Development Team will have completed and handed over 82 much needed new Council homes. Additionally, the Council will have completed 90 units of temporary accommodation in Llantwit Major which will address the growing international and domestic housing crisis. During 2025/26, The Housing Development Team will continue to acquire empty homes to add to the housing stock and explore the acquisition and repurposing of local hotels, HMO's and vacant public buildings for temporary accommodation. In April 2025, the Cardiff and Vale Housing Partnership will be in operation, which will see the Council increase the scale and pace of its house building programme, with a minimum of 770 new homes planned over following seven years.
- 2.16 The current Housing Business Plan also commits £132m of capital investment over the next 5 years to ensure the continued expansion and acceleration of the Council's 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.
- 2.17 Further detail can be found at [Housing Asset Management Strategy](#). This strategy will now be reviewed to reflect Welsh Government's launch of the new revised WHQS 2023.

### **Digital Strategy**

- 2.18 The Council's Digital Strategy 2023-2028 was approved by Cabinet on 16th November 2023. It has the overall aim to enable opportunities for improvement through the innovative use of Digital, now and in the future. To deliver this aim, four themes have been identified as follows:

#### **THEME 1 - COMMUNITY AND INVOLVEMENT**

- Commitment 1 - Listen to the community to understand their needs in order to transform digital services.
- Commitment 2 - Create accessible, inclusive and sustainable digital services for residents to support innovation using ICT.

#### **THEME 2 – ORGANISATION AND PROCESSES To provide a quality ICT**

- Commitment 1 - Create & embed reliable processes, so that digital projects are delivered successfully.
- Commitment 2 - Develop a digital culture, where digital is seen as a key enabler of all services in the organisation.

### THEME 3 – PEOPLE AND SKILL

- Commitment 1 - Equip colleagues with the tools to deliver services effectively for residents
- Commitment 2 - Support and empower colleagues to develop and use their digital skills

### THEME 4 – DATA AND INSIGHT

- Commitment 1 - Invest in & harness data insights to inform and improve decision-making.
- Commitment 2 - Use clear standards to ensure effective data sharing.

2.19 Capital expenditure is currently being reviewed in light of the organisation’s commitment to both Project Zero and the Digital Strategy. Historically, capital has been utilised for the delivery of infrastructure within corporate buildings and whilst some of this will remain, i.e. the refresh of networking infrastructure, the IT function is currently evaluating a path to reducing the amount of server provision on-premise and consideration of a transition to co-located facilities and/or cloud computing.

2.20 Further detail can be found within the [Digital Strategy 2023-2028](#).

### **Waste Management Strategy**

2.21 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 were presented to Cabinet 19<sup>th</sup> January 2023 and they were reviewed by the Environment and Regeneration Scrutiny Committee on 14th February 2023. There were no further recommendations, and the Strategy was agreed. As part of this strategy 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.

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

2.23 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.

2.24 Further grant has been allocated for source separating recycling and, to construct a reuse shop on the Household Waste Recycling Centre site in Barry.

2.25 The service has submitted a capital bid to construct a fleet parking site in 2025/26, which has been included in the five year capital proposals. This bid is following the purchase of land opposite the new Resource Recovery Facility (RRF) at Atlantic Trading Estate, Barry.

This proposes to relocate the majority of the Recycling and Waste fleet from the Alps Depot to Atlantic Trading Estate to capture savings on fuel, CO2 and additional financial benefits through collection efficiencies and reducing the amount of travelling and downtime. It all allows for the future consideration of more flexible working, facilitating longer working days and aids split shift working.

2.26 [Waste and Recycling - What are we Doing](#)

**School Investment Programme**

2.27 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.

2.28 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.

2.29 Band B schemes commenced in 2018/19 and there is now a move towards a rolling programme on investment in schools. Intervention rates range between 65-85% dependant on the nature of the scheme.

2.30 Considerable progress has been made to date, nine 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, Ysgol St Baruc, St Nicholas Primary, Y Bont Faen (Cowbridge Primary Provision) and Derw Newydd (Centre for Learning and Wellbeing). The Ysgol Y Deri scheme started on site in April 2024.

2.31 Overall, the projected cost of the Band B programme totals £150.724m.

2.32 The Rolling Programme was submitted and approved by Cabinet on the 7th March 2024. Welsh Government approved the Vale of Glamorgan's Rolling Programme 8th August 2024. The next wave of investment will see new schemes developed over the next 9 years, subject to funding and business case approval.

2.33 There are currently three schemes within the Capital Programme that are part of the Sustainable Communities for Learning rolling programme, St Richard Gwyn redevelopment, Cowbridge Primary Phase 2 (Ysgol Iolo Morgannwg) and Penarth Cluster - Review Primary Provision to Include Cosmeston. These schemes are subject to the approval of full business cases and further Cabinet reports. The rolling programme budget totals £89.671M between 2022/23 to 2029/30.

2.34 A capital bid was submitted in relation to the redevelopment of Sully Primary School. Ongoing discussions are progressing around this scheme and therefore it has not been included in the Capital Programme at this time. This scheme would also be firstly subject to Cabinet approval and then a full business case would be required to be approved through Welsh Government for Sustainable Communities for Learning Grant Funding.

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

2.36 The latest budget profiles can be found in Appendix 2.

## **City Deal (CJC)**

- 2.37 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 ringfenced for Metro development.
- 2.38 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. It is designed to build on the region's sectoral strengths, its high skill base and three successful universities and accelerate economic growth and productivity through a series of considered targeted investments in skills, infrastructure, innovation-led scalable projects and priority industry sectors and businesses.
- 2.39 Key highlights showing investment to date include:
- £45m investment in Ogi to boost digital connectivity for South East Wales.
  - £6.6m programme to drive business and economic development across South East Wales
  - Co-sponsorship of the National Eisteddfod's Science and Technology Village with the University of Wales
  - £36.4m purchase and remediation of Aberthaw.

For more detail on 2024/25 news and events please see the following link:

[Latest News - Cardiff Capital Region](#)

- 2.40 Following the approval of the SEW Corporate Joint Committee 2025/26 Business Plan on 27<sup>th</sup> January 2025, the Vale of Glamorgan have reprofiled the City Deal Scheme in the Capital Programme. The Vale of Glamorgan's share of the estimated total costs (8.5%) is projected to be in the order of £10.171m and will be funded by unsupported borrowing with a 25 year repayment period.
- 2.41 Total expenditure to date for CCR by Local Authorities is £38.518M. The Vale of Glamorgan's contribution to date has been £3.264M, with our next expected contribution of £157k in 2025/26.
- 2.42 Further detail can be found at [Cardiff Capital Region City Deal](#)

## **External Influences – Welsh Government**

- 2.43 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, Transport schemes and Shared Prosperity Fund schemes.

## **External Influences – Legislation**

- 2.44 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.
- 2.45 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)



unless exemption(s) for that property have been registered. The regulations are enforced by trading standards. 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.

- 2.46 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.

#### **External Influences – Collaboration**

- 2.47 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 16th December 2019. An updated protocol will be issued once the guidance review being undertaken by Welsh Government has been finalised.

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

#### **External Influences – Consultation**

- 2.49 The Council launched its Let's Talk about Life in the Vale Survey in August 2023. The survey was different to other Vale wide surveys that the Council had run in the past. It didn't simply ask how satisfied people are with Council services. Instead, there was a genuine attempt to understand what life is like for people living in the Vale of Glamorgan and how public services affect this. This approach was being taken to enable (wherever possible, within funding constraints) services to be developed in a way that means they will improve people's quality of life, and wherever possible address the issues that matter to those who live in the Vale of Glamorgan.
- 2.50 The survey provided a wealth of data and much of this fed into deliberations on setting the budget for 2024/25 and the finances across the medium term. Much of this remains relevant to 2025/26. There were 4,009 responses to the survey.
- 2.51 Residents were asked about their priorities and to rank their importance. The top priority for 42% of the population was 'Easily accessible care and health care services when I or my family need them' and 78.1% ranked this in their top three priorities. Second at 26.6% was 'buy or rent a good quality home' and 47.6% ranked this in their top three. It is reassuring that these are areas that the Council is focussing resources on through its Capital Programme.
- 2.52 68% of respondents stated they were either very or fairly concerned with the climate emergency and 65% were either very or fairly concerned with the nature emergency. 73% of respondents were also very or fairly concerned about services and support for older people and 61% about services and support for young people. All of these are areas of priority for the Council as reflected in the Council's Capital Programme.



### **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 20th February 2025, the Welsh Government (WG) announced the provisional 2025/26 General Capital Funding (GCF) settlement which was £7.606m, being made up of £4.229m grant and £3.377m of supported borrowing. This is a £620k increase than the general capital funding of £6.986m that was allocated for 2024/25.
- 3.4 No further information has been made available from Welsh Government at this time, therefore it has been assumed that from 2026/27 onwards, the level of capital funding will be flatlined at £7.606m and will then remain constant for the remainder of the period of this programme.

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

- 3.5 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. The Compensation Award for 2024/25 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 2024/25.

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

- 3.6 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.
- 3.7 It is estimated that over the next five years the Council will receive grant funding from Welsh Government, UK Government, Heritage Lottery and other bodies. 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**

- 3.8 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.

<b>Scheme</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>						
Education	4,616	974	3,348	0	0	8,938
City Deal	157	423	620	3,313	2,394	6,907
Non Treasury Investment Strategy	3,000	2,465	2,484	3,000	0	10,949
Levelling Up Fund	0	535	516	0	0	1,051
Local Government Borrowing Initiative	2,699	1,799	0	0	0	4,498
Highways Resurfacing						
Fleet Parking	1,880	0	0	0	0	1,880
<b>Total General Fund</b>	<b>12,352</b>	<b>6,196</b>	<b>6,968</b>	<b>6,313</b>	<b>2,394</b>	<b>34,223</b>
Housing Revenue Account	16,666	28,064	48,209	39,778	43,687	176,404
<b>Total New Borrowing</b>	<b>29,018</b>	<b>34,260</b>	<b>55,177</b>	<b>46,091</b>	<b>46,081</b>	<b>210,627</b>

3.9 After allowing for repayments, the balance of Prudential Borrowing as at 31st March 2024 was £39.682M of which £27.737M is HRA. At the end of the Capital Programme period (31st March 2030) the outstanding prudential borrowing taking into account repayments is expected to be £51.108M for the General Fund and £176.404M for the Housing Revenue Account.

### **Contributions from Revenue and Reserves**

3.10 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.

3.11 A number of reserves are used to fund the Capital Programme, it is anticipated that over the next five years (2025/26 to 2029/30) reserves of circa £11.754M (excluding HRA reserves) will be used to fund capital expenditure.

### **Capital Receipts**

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

3.13 Receipts from the sale of HRA assets can only be spent within the HRA and cannot be used to finance General Fund capital schemes. HRA receipts have been assumed in the Housing Business Plan in relation to open market sales and the share of the sale of new build schemes. However, any HRA capital receipts received in year are used to fund capital expenditure in that year and therefore as at 31st March 2024 the Council did not hold a balance of HRA receipts. The reason for this is to reduce the level of borrowing within the HRA.

3.14 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 2024 the balance of vehicle capital receipts was zero.

3.15 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.

3.16 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. 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. Work will be undertaken to dispose of surplus assets when they become available.

#### **Other External Contributions**

3.22 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 other bodies including 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 Given the scarce capital financial resources available and the fact that much of the predicted future General Capital funding from Welsh Government has already been allocated within the current five year programme, the Council has decided that a different approach to capital bids will be taken this financial year. Each directorate was asked to submit a list of potential capital bids indicating the scheme name, anticipated cost, brief scheme description, decarbonisation considerations, links to the Council's Wellbeing Objectives, Annual Delivery Plan and any revenue savings as a result of the bid. Each directorate are required to prioritise the list of bids and indicate the risk of not progressing the bids prior to submission late September.

4.3 The long list of Capital bids were reviewed and prioritised by the Strategic Insight Board during October and were detailed in the also detailed in the Initial Capital Programme Proposals report that went to Cabinet on the 24<sup>th</sup> October 2024. For bids that were shortlisted, officers were asked to complete full capital bid forms which were taken to

Strategic Insight Board in November. A risk assessment was undertaken for each bid, in line with the Council's Corporate Risk Management Strategy. The bids have been reviewed to assess corporate priority, schemes that are required on a statutory or health and safety basis are prioritised alongside any invest to save schemes. All bids were also assessed for the contribution they make towards the 5 ways of working to demonstrate commitment to the Well-being of Future Generations Act. The Sustainability of the scheme proposals are also self assessed as part of the capital bid process and reviewed by Strategic Insight board in November.

- 4.4 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 detailed in Appendix 1b.
- 4.5 The recommendations of the Strategic Insight Board have been reviewed by the Senior Leadership Team and also the Budget Working Group which comprises the Leader and Deputy Leader, the Chief Executive and the Head of Finance. A draft Capital Programme 2025/26 to 2029/30 inclusive of proposed successful bids was taken to Cabinet in January 2025 and submitted to Scrutiny Committees for consultation. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and considers the capital proposals and any recommendations that other Scrutiny Committees have made.
- 4.6 Consultation regarding budget issues is also undertaken with the Vale's residents and other partners e.g., Town and Community Councils.
- 4.7 After considering the results of the consultation and the Final Settlement from Welsh Government, Cabinet will make its final proposals during March, which will then be presented to full Council for final approval in March 2024.
- 4.8 The Assessment process of capital bids is detailed in Appendix 1b.

## **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 2025/26 will be presented to Cabinet in March 2025, on the same agenda as this Strategy.
- 5.3 CIPFA published revised codes of Practice on 20<sup>th</sup> December 2021 and formal adoption was 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 31st 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 31st 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 Quarterly Reporting to Members is now also required. The Head of Finance/Section 151 Officer is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The Head of Finance is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital, and balance sheet monitoring.
- 5.6 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**

- 5.7 Capital expenditure will be funded from a mixture of internal and external borrowing. The Council had a balance of internal borrowing of £55.480M as of 31st March 2024, with external borrowing at that point in time being £143.312M.
- 5.8 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 considered prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.
- 5.9 The balance of the Authority's usable reserves and working capital can be utilised for internal borrowing or investment. The Council's reserves are now depleting and the position will need to be monitored carefully, the level of external borrowing required to finance the capital expenditure will increase. During 2024/25 the Council has borrowed externally from the Public Works Loan Board (PWLb). Due to current high borrowing costs

all borrowing has been kept shorter term (5-7 years) in a hope that interest rates will fall during this period. The PWLB is the UK's largest lender to Local Authorities.

- 5.10 The Bank of England cut interest rates to 4.5% on the 6<sup>th</sup> February 2025 and the rate is expected to fall over the short term.

### **Prudential Indicators**

- 5.11 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.

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.

- 5.12 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. The Prudential Indicators are detailed in Appendix 1c.

### **Investment Strategy**

- 5.13 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 2025/26 the Council will/can place investments with the Debt Management Account Deposit Facility (DMADF) of the Bank of England and UK Treasury Bills which are guaranteed by the UK Government, with UK Local Authorities (including Police and Fire Authorities), in Money Market Funds and in Instant Access 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.

- 5.14 The Council will seek to maintain a minimum £30m investment balance in addition to any working capital surplus during the period. Should this not be possible it is intended that any shortfall would be rectified in the following financial year. Investments across the portfolio as at 31st March 2024 totalled £34.195M.

### **IFRS 16 Leasing**

- 5.15 The CIPFA LAASAC Local Authority Accounting Code Board set the much-delayed implementation of IFRS16 which deals with the way the Council accounts for its lease arrangements for the 1st April 2024, the 2024/25 financial year. The revised accounting code has required significant changes to how the Authority accounts for contracts that convey the right of use of an asset for a period. Whereas the Authority currently accounts for all its lessee lease arrangements through revenue income and expenditure, under the new arrangement the Authority 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 Authority's CFR and the Authority 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, provisional figures have been included in the Treasury Management Strategy (on the same Agenda as this report) and this Strategy which give an indication of the scale of the likely liability and associated equivalent financing costs. As further work to assess the likely right of use assets and liabilities associated with the Council's leases and embedded lease arrangements is currently ongoing a delegated authority has been requested to enable limited amendments to the Treasury Management Strategy and Capital Strategy as required in the first year of implementation to these notional adjustments.

## **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 and eighty underlying steps framed around the need to demonstrate strong leadership, fulfil our responsibility to current and future generations and to make a difference now, 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 continued to improve the energy efficiency of its housing stock to meet the requirements of Welsh Government legislation in relation to decarbonisation. The Welsh Government has launched the revised Welsh Housing Quality Standard (WHQS) 2023, which supports the government climate change goals laid out in the Net Zero Wales strategic plan published in 2021 (and updated in 2022). The council continues working towards the following decarbonisation targets set out in the revised standard i.e. Carrying out a whole stock assessment and producing Target Energy Pathways for our homes to reach SAP 92 - EPC A by 31 March 2027, in the interim, we are working towards all our homes meeting a minimum of SAP 75 – EPC C by 31 March 2030. This investment is further outlined in the Housing Business Plan that was reported to Cabinet on the 9<sup>th</sup> of January 2025.
- 6.4 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. 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. This commitment is expected to continue in the rolling programme and has been announced on the Welsh Government Sustainable Communities for Learning webpage as seen in the link: [Sustainable Communities for Learning rolling programme.](#)

- 6.5 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.
- 6.6 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 council's own Climate Change Challenge Plan is being prepared which will lever in as much funding as possible from various external sources including Salix funding. £669k has been included in the 2024/25 Capital Programme, £312k for 2025/26 and £250k for 2027/28 to 2028/29. Schemes have been presented to and approved by the Project Zero Board with some of the schemes completed in the first six months of 24/25 highlighted below:
- Penarth Learning Community PV panels and LED Lighting on the sports pitches
  - Llangan Primary PV
  - Ty Dewi Residential Home PV
  - St Joseph's PV.
- 6.7 Schemes identified to be delivered in the future year's Capital Programme include the installation of air source heat pumps at Ysgol Y Ddraig and Oakfield Primary.
- 6.8 The UK Government Shared Prosperity Fund has specific allocations to address decarbonisation schemes in the local community and the programme will develop schemes to deliver against this commitment over the three-year period of the funding envelope. One scheme at Murchfield Village Hall has seen the roof renewal works incorporating PV panels on the new roof.
- 6.9 [Restore the Thaw Landscape Project](#) is now in its second year of delivery. This is a three-year programme of work to make biodiversity improvements along the River Thaw, its tributaries, and surrounding landscapes. Alongside monies from the Vale of Glamorgan Council's Project Zero reserves, the project received funding from the Waterloo Foundation and Nature Networks, it is a fund delivered through the National Lottery Heritage Fund.
- 6.10 A cyclical program of tree maintenance has been introduced to our mature highway street trees within the urban environment to reduce the decline in canopy cover within our towns and to optimise the life expectancy of these mature trees. This scheme works alongside a program of tree planting. Through appropriate management of existing trees and targeted tree planting programmes, the Council will seek to reverse the trend of the continuing loss of tree canopy cover. The tree stock will be managed in such a way that continuity of tree cover will be safe-guarded, and improved, for future generations. It is recognised that the continued maintenance and tree planting of trees is an essential aspect of sustainable development and will assist in reduction in carbon emission. The Tree Strategy has been ratified by the Cabinet in November 2024.
- 6.11 The Council continues to work with the Welsh Government Energy Services to increase the number of electric vehicles into its fleet, specifically applying for grants to pay for a



percentage of the difference between diesel and electric. Although the difference in cost between petrol/diesel vehicles and electric vehicles is reducing the cost is still much higher. The current replacement budget has been set up to fund 'like for like' replacements, in order to purchase electric vehicles additional financial contributions is required.

- 6.12 In 2022/23 a grant was awarded to the Council by Welsh Government to cover 80% of the difference in cost between a diesel and electric recycling vehicle. The two recycling vehicles are nearing completion and will be delivered by the end of 2024/25. The Shared Prosperity Funding has supported the purchase of an electric mobile education facility.
- 6.13 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. A further scheme is nearing completion at Ysgol Bro Morgannwg. 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. Further air source heat pumps will be installed over the next few years within some education facilities.
- 6.14 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 – includes the Salix recyclable fund.
  - Project Zero Reserve - Any schemes committed from reserve have to be approved by the Project Zero Board.
  - Energy Pressures Reserve – this includes the budget for decarbonisation schemes.
- 6.15 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.
- 6.16 A Non Treasury service investment programme sets out a £12M investment fund over four years focussed on developing property and infrastructure in the Vale of Glamorgan. The schemes progressed under this scheme should comply with the PWLB permitted borrowing purposes and generate a return that covers the costs of borrowing. The key principles for this service investment fund are to:
- 1) Deliver economic growth
  - 2) Tackle inequality
  - 3) Improve our environment, and
  - 4) Create change in the area to benefit all residents, businesses and visitors.
- 6.17 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 A request has been made in the Final Proposal report to allocate £1.051M to the Levelling Up Fund (LUF) from the Non Treasury Investment fund. The budget is split, £535k for 2026/27 and £516k for 2027/28.
- 6.19 More detail on Decarbonisation Schemes funded through the Council 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 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.
- 7.3 The Council currently has no other material commercial activity however it is looking to explore proportionate regeneration and green infrastructure opportunities as appropriate through 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.
- 7.4 The Non Treasury Investment programme will support regeneration and recovery through economic development and green infrastructure schemes is being developed 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. This is to be funded using up to £12M of Prudential Borrowing. £200K is earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice and this is being funded from the Risk and Reshaping reserve. Within the five year Capital Programme £1.05m of this has been used to match fund the Levelling Up Scheme. Further information can be found at [Non Treasury Investment Strategy \(valeofglamorgan.gov.uk\)](#) and [Regeneration Governance Report \(valeofglamorgan.gov.uk\)](#).
- 7.5 The current profile and funding is set out below. The split of schemes will be brought to Cabinet at a later date once known.

	2025/26	2026/27	2027/28	2028/29	Total
	£000	£000	£000	£000	£000
Non-Treasury Investment Strategy	3,000	2,465	2,484	3,000	10,949
Levelling Up Fund	0	535	516	0	1,051
<b>Funding</b>					
Prudential Borrowing	3,000	3,000	3,000	3,000	12,000

## **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, virements and rescheduling of schemes.

## **Performance Indicators**

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

## **Performance Management Framework**

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

## **Knowledge and Skills**

- 9.8 In order for the Council to make the best use of its resources, it must ensure that it has in place robust decision making and effective management of its assets and capital investment. This can only be achieved by employing suitably qualified and experienced staff with up to date knowledge and by engaging with members who have the necessary skills and understanding.
- 9.9 The Council employs professionally qualified and experienced staff across the Council to make capital expenditure, borrowing and investment decisions. However, where the Council requires specialist advice it procures external support and in September 2018 the Council appointed Link Asset Services now called MUFG Corporate Markets Treasury Services as its Treasury Management advisor and their contract was renewed in September 2024.
- 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 9 years), Capital Accountant (ACCA 4 years) and Two Senior Accountancy Technician, one AAT qualified with over 30 years and one part qualified ACCA with over 27 years in Accountancy.
- 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, MUFG Corporate Markets Treasury Services (previously 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. MUFG Corporate Markets Treasury Services 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 training for Members in February 2025.

- 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.
- 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, together with the instability across many parts of Eastern Europe 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 projects and also through the Cardiff Capital Region City Deal and the Council's Housing Improvement Programme. 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 current economic climate instability and conflicts ongoing globally also bring risk to the cost of future capital schemes as there may be changes to the value of contracts due to staffing issues and supply and pricing of materials. 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 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**

- 11.9 With scarce capital resources, funding will only be allocated to priority capital schemes that meet corporate priorities or meet legal obligations, with schemes being fully evaluated prior to approval. 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.

11.10 Commissioning and procuring for capital schemes must comply with the requirements set out in the Council’s Constitution, Financial Regulations and Contract Standing Orders.

11.11 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.

11.12 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 MUFG Corporate Markets Treasury Services (previously Link Asset Managers) the Council’s Treasury Management Advisers.

11.13 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>Creating great places to live, work and visit</b>
• Cardiff Capital Region City Deal
• Non Treasury Service Investment Strategy
• Towns Fund
• Maintenance of WHQS in Council houses
• Building Stronger Communities



<ul style="list-style-type: none"> <li>• UK Government Shared Prosperity Fund</li> </ul>
<b>Respecting and celebrating the environment</b>
<ul style="list-style-type: none"> <li>• Supporting decarbonisation as part of the Sustainable Communities for Learning Programme.</li> </ul>
<ul style="list-style-type: none"> <li>• Investing in PV panels on Council buildings.</li> </ul>
<ul style="list-style-type: none"> <li>• Investment in Electric vehicles and charging points</li> </ul>
<ul style="list-style-type: none"> <li>• Investing in the introduction of LED street lighting</li> </ul>
<ul style="list-style-type: none"> <li>• Carbon Management reduction using SALIX</li> </ul>
<ul style="list-style-type: none"> <li>• Revised Waste collection service and new Transfer Station</li> </ul>
<b>Giving everyone a good start in life/great start</b>
<ul style="list-style-type: none"> <li>• Sustainable Communities for Learning Programme</li> </ul>
<ul style="list-style-type: none"> <li>• Early Years and Childcare programme</li> </ul>
<ul style="list-style-type: none"> <li>• Investment in Leisure Centres and playgrounds</li> </ul>
<b>Supporting and protecting those who need us</b>
<ul style="list-style-type: none"> <li>• Disabled Facilities Grants and Discretionary Adaptions Grant</li> </ul>
<ul style="list-style-type: none"> <li>• Social Servies Invest to Save</li> </ul>
<ul style="list-style-type: none"> <li>• Tackling Food Poverty</li> </ul>
<ul style="list-style-type: none"> <li>• County of Sanctuary through Housing Improvement Programme</li> </ul>
<b>Being the best Council we can be</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 for the majority of schools were completed in early 2022 have previously indicated that capital investment of circa £30M to £35M is required over the next 5 years to Schools in order to finance improvement work. In the near future, subject to funding, a programme of condition surveys are planned to be carried out on the Council's other buildings (excluding HRA). 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 to require capital investment of between £30M to £40M 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 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 updated Corporate Plan – Vale 2030, covers the period 2025 to 2029 and is on the same agenda as this Capital Strategy.
- 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> </ul>
<ul style="list-style-type: none"> <li>• Continue to review the Corporate and Service Asset Management Plans.</li> </ul>
<ul style="list-style-type: none"> <li>• Update Condition Survey data to ensure the Council is fully aware of future commitments.</li> </ul>
<ul style="list-style-type: none"> <li>• The Council will strive to reduce carbon emissions and improve energy efficiency and positively encourage waste reduction initiatives.</li> </ul>
<ul style="list-style-type: none"> <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> </ul>
<ul style="list-style-type: none"> <li>• Ensure staff involved in the capital and Treasury Management process and the delivery of capital projects have the relevant experience and training.</li> </ul>
<ul style="list-style-type: none"> <li>• Ensure members involved in the capital and Treasury Management process receive relevant training.</li> </ul>
<p><b>Maximising Capital Funding</b></p>
<ul style="list-style-type: none"> <li>• Maximising grant-funding opportunities for capital schemes, where such schemes are compatible with Council objectives.</li> </ul>
<ul style="list-style-type: none"> <li>• The identification of underperforming / inefficient assets and prioritising the sale of surplus land and properties as a means of generating capital receipts to fund capital schemes.</li> </ul>
<ul style="list-style-type: none"> <li>• Reviewing the options for unsupported borrowing under the Prudential Code in the light of future financial projections for capital funding and expenditure in line with the Medium-Term Financial Plan.</li> </ul>
<ul style="list-style-type: none"> <li>• Use of 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>

## Prudential Code

- 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.
- 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 2025/26 and will be updated on a biannual basis. This Strategy will also need to be submitted to full Council for approval.
- CIPFA published revised codes of Practice on 20th December 2021 which stated that formal adoption was 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 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.

### Assessment of Capital Bids

1. When setting the capital programme, the following principles 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

2. 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

3. 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. 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**

5. 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.
6. The Council will ensure that all large Council Capital Projects are BREEAM (the design and assessment method for sustainable buildings) excellent rated.

## Prudential Indicators

### Capital Expenditure

1. A five year capital programme has been proposed covering 2025/26 to 2029/30 as shown in the following table.

Table 1 – Five Year Capital Programme

Capital Expenditure	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Learning & Skills	19,342	2,309	2,000	2,000	2,000
Social Services	1,373	302	225	215	200
Place	14,889	9,785	1,821	1,150	1,150
Environment	16,784	7,978	4,124	3,885	3,710
HRA	30,460	40,774	61,795	49,203	51,551
Resources	312	294	298	473	431
City Deal	157	423	620	3,313	2,394
Pipeline Schemes	23,389	36,137	23,526	12,522	915
<b>Total</b>	<b>106,706</b>	<b>98,002</b>	<b>94,409</b>	<b>72,761</b>	<b>62,351</b>

### Capital Financing Requirement

2. 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.



Table 2 – Capital Financing Requirement

<b>CFR at 31st March</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Non HRA CFR	130.000	135.152	140.907	145.928	146.811
HRA CFR	111.101	136.706	181.891	217.678	256.574
<b>Total CFR excl OLTL</b>	<b>241.101</b>	<b>271.858</b>	<b>322.798</b>	<b>363.606</b>	<b>403.385</b>
Non HRA OLTL CFR	<b>4.403</b>	<b>3.830</b>	<b>3.252</b>	<b>2.687</b>	<b>2.397</b>
<b>Total CFR</b>	<b>245.504</b>	<b>275.688</b>	<b>326.050</b>	<b>366.293</b>	<b>405.782</b>

- 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.

Table 3 - Gross External Debt (Excluding Leasing)

<b>Gross External Debt</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Brought forward 1 April</b>	<b>162.554</b>	<b>205.595</b>	<b>242.834</b>	<b>301.090</b>	<b>348.313</b>
<b>Carried forward 31 March</b>	<b>205.595</b>	<b>242.834</b>	<b>301.090</b>	<b>348.313</b>	<b>397.466</b>
In Year Requirement	(43.041)	(37.239)	(58.256)	(47.223)	(49.153)

- 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**

- 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.
- 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

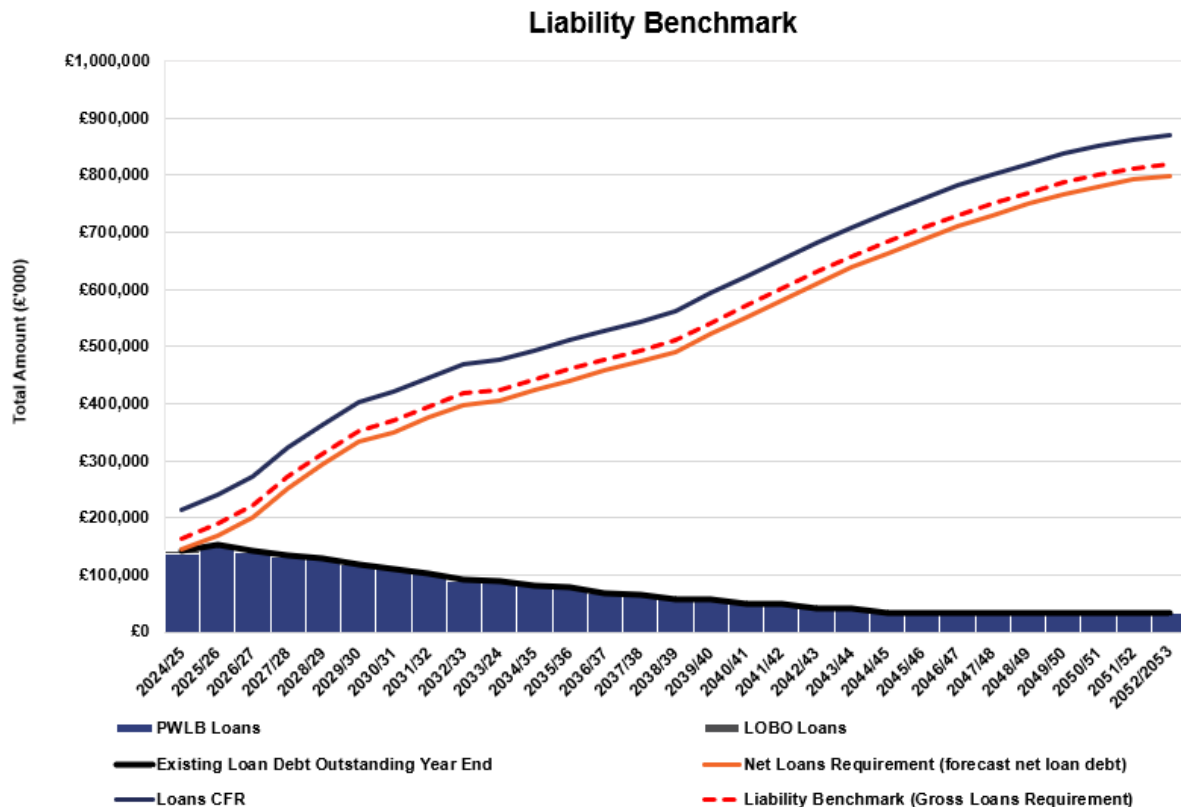
for external debt. It acts as a warning level should debt start approaching this limit. The Operational Boundary for external debt is shown in the following table:

Table 4 – Operational Boundary

<b>Operational Boundary</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Borrowing	260.831	295.167	345.425	383.491	428.623
Other long term liabilities	3.083	2.510	1.982	1.595	1.381
<b>Total</b>	<b>263.914</b>	<b>297.677</b>	<b>347.407</b>	<b>385.086</b>	<b>430.004</b>

7. 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 Council is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile and how MRP and other cash flows affect the future debt 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.
8. 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 would not be the case.

9. Table 5 – Liability Benchmark



10. Over the 30 year period the chart shows that external borrowing falls below the liability benchmark. For as long as usable reserve balances are available the Council will maintain this under borrowed position.
11. This means that the capital borrowing need of the Council will not be being fully financed 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 up to and above the LB (as not all reserve balances can be used to finance capital expenditure) in order to finance the capital programme, it has committed to throughout the 30 year period.
12. The Council's current investments balances are detailed later in this report. These investments are expected to reduce further as reserves are utilised.
13. The Council have forecast that in the worst-case scenario a buffer of £20M will be required to manage the day-to-day cash flow and therefore this amount is included 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.
14. The Authorised Limit is the affordable borrowing limit determined in compliance with section 3 (1) of the Local Government Act 2003. 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. These authorised limits set out below are consistent with the Council's current commitments and proposals for capital expenditure and financing and with its Treasury Management Policy. The estimates are based on most likely prudent but not the worst-case scenario for external debt with sufficient headroom over and above this to allow for operational management (e.g. unusual cash movement).

Table 6 – Authorised Limit

<b>Authorised Limit</b>	<b>2025/26 £M</b>	<b>2026/27 £M</b>	<b>2027/28 £M</b>	<b>2028/28 £M</b>	<b>2029/30 £M</b>
Borrowing	286.207	321.078	371.753	410.106	455.530
Other long term liabilities	10.000	10.000	10.000	10.000	10.000
<b>Total</b>	<b>296.207</b>	<b>331.078</b>	<b>381.753</b>	<b>420.106</b>	<b>465.530</b>

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

15. 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.
16. As part of the draft Revenue Budget Proposals for 2025/26 the MRP policy has been reviewed. The proposals were reported to Governance and Audit Committee on the 6<sup>th</sup> January 2025 but will require full Council approval on the 10<sup>th</sup> March 2025. The revised MRP policy is set out below:
17. 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 when calculating MRP. MRP on outstanding supported borrowing incurred up to 31 March 2025 using a straight-line calculation over 50 years. The Council will apply the Asset Life Method to calculate MRP on supported borrowing incurred on or after 1 April 2025 using a straight-line calculation over an appropriate number of years (using the average asset life as at February in the current financial year), dependent on the period of time that the capital expenditure is likely to generate benefits which is equivalent to the asset's life.
18. 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 (maximum 50 years) of the relevant asset in equal instalments, starting in the year after the asset becomes operational.
19. 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.

20. Loans advanced for Affordable Housing, Band B Schools and the Highway Net Resurfacing Programme under LGBI schemes are the exception where MRP is calculated on an annuity basis.
21. For the Pipeline schemes it has been assumed that MRP will not be charged until the schemes have completed.
22. Further detail is contained in the Council's Treasury Management and Investment Strategy for 2025/26.

Schemes	2025/26		2026/27		2027/28		2028/29		2029/30	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Learning and Skills	4,777	19,342	2,309	2,309	2,000	2,000	2,000	2,000	2,000	2,000
Social Services	1,373	1,373	302	302	225	225	215	215	200	200
Environment	14,711	16,784	7,978	7,978	4,124	4,124	3,885	3,885	3,710	3,710
HRA	23,645	30,460	34,604	40,774	56,225	61,795	43,633	49,203	45,981	51,551
Place	2,240	14,889	2,035	9,785	1,821	1,821	1,150	1,150	1,150	1,150
Resources	312	312	294	294	298	298	473	473	431	431
City Deal	157	157	423	423	620	620	3,313	3,313	2,394	2,394
Pipeline Schemes	7,393	23,389	3,758	36,137	6,452	23,526	3,694	12,522	915	915
<b>TOTAL CAPITAL PROGRAMME</b>	<b>54,608</b>	<b>106,706</b>	<b>51,703</b>	<b>98,002</b>	<b>71,765</b>	<b>94,409</b>	<b>58,363</b>	<b>72,761</b>	<b>56,781</b>	<b>62,351</b>

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

	Net	Gross		General	SS	Ed
	£000	£000		£000	£000	£000
<b>Resources from Welsh Government</b>			<b>Balance as at 31st March 2024</b>	<b>6,305</b>	<b>1,339</b>	<b>0</b>
Supported Borrowing - General Fund	3,377	3,377				
General Capital Grant	4,229	4,229	Anticipated Required in 2024/25	-1,584	-673	-550
			Anticipated Receipt in 2024/25	0	0	550
<b>Total Resources from Welsh Government</b>	<b>7,606</b>	<b>7,606</b>	<b>Balance as at 31st March 2025</b>	<b>4,721</b>	<b>666</b>	<b>0</b>
			Anticipated Required in 2025/26	-2,469	-625	-100
			Anticipated Receipt in 2025/26	0	0	100
<b>Other Available Resources</b>			<b>Balance as at 31st March 2026</b>	<b>2,252</b>	<b>41</b>	<b>0</b>
General Fund Revenue/Reserves	7,812	7,812				
Housing Reserves/Revenue	6,979	6,979	Anticipated Required in 2026/27	-1,754	0	0
Housing Capital Receipts	0	0	Anticipated Receipt in 2026/27	964	0	0
Education Capital Receipts	100	100	<b>Balance as at 31st March 2027</b>	<b>1,462</b>	<b>41</b>	<b>0</b>
Social Services Capital Receipts	625	625				
General Fund Capital Receipts	2,469	2,469	Anticipated Required in 2027/28	-166	0	0
S106	0	1,935	Anticipated Receipt in 2027/28	0	0	0
Other External Grants	0	48,016	<b>Balance as at 31st March 2028</b>	<b>1,296</b>	<b>41</b>	<b>0</b>
Major Repairs Allowance	0	2,773				
Unsupported (Prudential) Borrowing	28,860	28,860	Anticipated Required in 2028/29	-11	0	-1,000
City Deal Borrowing	157	157	Anticipated Receipt in 2028/29	1,000	0	1,000
<b>TOTAL RESOURCES</b>	<b>54,608</b>	<b>106,707</b>	<b>Balance as at 31st March 2029</b>	<b>2,285</b>	<b>41</b>	<b>0</b>
			Anticipated Required in 2029/30	0	0	0
			Anticipated Receipt in 2029/30	0	0	0
			<b>Balance as at 31st March 2030</b>	<b>2,285</b>	<b>41</b>	<b>0</b>



Schemes	2025/26		2026/27		2027/28		2028/29		2029/30	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Social Services</u></b>										
<b><u>Asset Renewal</u></b>										
Social Services Asset Renewal	0	0	200	200	200	200	200	200	200	200
Cartref Porthceri -Replacement of fire escape staircase	35	35	0	0	0	0	0	0	0	0
Residential Homes - Phase 1 window refurb / renewal	45	45	0	0	0	0	0	0	0	0
Hen Goleg - Water ingress remedial works	35	35	0	0	0	0	0	0	0	0
Ty Dyfan - Rear fire escape exit	20	20	0	0	0	0	0	0	0	0
<b><u>Capital Bids</u></b>										
Social Services Invest to Save Schemes	625	625	0	0	0	0	0	0	0	0
Residential Homes Fire Doors	90	90	0	0	0	0	0	0	0	0
Cartref Residential Home - Boiler Renewal Works	160	160	0	0	0	0	0	0	0	0
Equalities Act Compliant Toilets at Cartref Porthceri and Southway	48	48	47	47	0	0	0	0	0	0
Ty Jenner Air Source Heat Pump	195	195	0	0	0	0	0	0	0	0
Ty Robin Goch Refurbishment & Renewal Works	55	55	55	55	25	25	15	15	0	0
Southway Access Improvements	65	65	0	0	0	0	0	0	0	0
<b>Total Social Services</b>	<b>1,373</b>	<b>1,373</b>	<b>302</b>	<b>302</b>	<b>225</b>	<b>225</b>	<b>215</b>	<b>215</b>	<b>200</b>	<b>200</b>
<b><u>Neighbourhood Services and Transport</u></b>										
Vehicle Replacement Programme	2,925	2,925	800	800	800	800	800	800	800	800
<b><u>Asset Renewal</u></b>										
Asset Renewal	0	0	600	600	600	600	600	600	600	600
Public Conveniences	100	100	0	0	0	0	0	0	0	0
Parks Infrastructure	100	100	0	0	0	0	0	0	0	0
Coastal Management	75	75	0	0	0	0	0	0	0	0
Traffic Light failures	100	100	0	0	0	0	0	0	0	0
Community Asset Transfer fund	50	50	0	0	0	0	0	0	0	0
Alley Gate renewal	50	50	0	0	0	0	0	0	0	0
Structures	75	75	0	0	0	0	0	0	0	0
Community Centre/Leisure Centre works	50	50	0	0	0	0	0	0	0	0
Neighbourhood Services Highway Improvements	4,699	4,699	3,799	3,799	2,000	2,000	2,000	2,000	2,000	2,000
Flood Risk Management	100	100	100	100	100	100	100	100	100	100
Coast Protection and Land Drainage General	212	212	110	110	110	110	110	110	110	110
Street Lighting LED Lantern Upgrades	100	100	100	100	100	100	100	100	100	100
Dinas Powys Flood Resilience	0	1,748	0	0	0	0	0	0	0	0
<b><u>Capital Bids</u></b>										
Penarth Marina Landslip - Slope Stabilisation Works	3,000	3,000	2,015	2,015	0	0	0	0	0	0
Retaining Wall Windsor Road	500	500	0	0	0	0	0	0	0	0
Llanmaes Construction	0	0	279	279	239	239	0	0	0	0



Schemes	2025/26		2026/27		2027/28		2028/29		2029/30	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Slippage</b>										
Eastern Shelter and Barry Island Promenade Refresh and ANPR	0	325	0	0	0	0	0	0	0	0
<b>Parks and Grounds Maintenance</b>										
<b>Capital Bids 2024/25</b>										
Tree Planting	100	100	100	100	100	100	100	100	0	0
Cyclical Tree Maintenance	75	75	75	75	75	75	75	75	0	0
<b>Waste Recycling and Coastal Management</b>										
Fleet Parking	2,400	2,400	0	0	0	0	0	0	0	0
<b>Total Neighbourhood Services &amp; Transport</b>	<b>14,711</b>	<b>16,784</b>	<b>7,978</b>	<b>7,978</b>	<b>4,124</b>	<b>4,124</b>	<b>3,885</b>	<b>3,885</b>	<b>3,710</b>	<b>3,710</b>
<b>HRA</b>										
<b>Total Housing Improvement Programme</b>	<b>23,645</b>	<b>30,460</b>	<b>34,604</b>	<b>40,774</b>	<b>56,225</b>	<b>61,795</b>	<b>43,633</b>	<b>49,203</b>	<b>45,981</b>	<b>51,551</b>
<b>Place</b>										
Restore the Thaw	25	500	0	0	0	0	0	0	0	0
The Woodland Investment Grant (TWIG)	0	140	0	0	0	0	0	0	0	0
Levelling Up fund	825	12,859	660	8,410	516	516	0	0	0	0
<b>Slippage</b>										
Country Park Toilets	113	113	0	0	0	0	0	0	0	0
<b>Private Sector Housing</b>										
Empty Homes	80	80	70	70	0	0	0	0	0	0
Discretionary Adaptions Grant - DAG	479	479	522	522	522	522	460	460	460	460
Disabled Facility Grants (DFG)	718	718	783	783	783	783	690	690	690	690
<b>Total Place</b>	<b>2,240</b>	<b>14,889</b>	<b>2,035</b>	<b>9,785</b>	<b>1,821</b>	<b>1,821</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>
<b>Resources</b>										
All Services Asset Renewal	0	0	0	0	0	0	175	175	383	383
Civic Offices Sash Windows	0	0	44	44	48	48	48	48	48	48
Decarbonisation Scheme	0	0	0	0	0	0	145	145	0	0
Ysgol Sant Curig Lighting Renewal	45	45	0	0	0	0	0	0	0	0
Barry Leisure Centre PV Panels	80	80	0	0	0	0	0	0	0	0
Oakfield Gas boilers to air source heat pumps	187	187	209	209	0	0	0	0	0	0
Ysgol y Ddraig Gas boilers to air source heat pumps	0	0	41	41	250	250	105	105	0	0
<b>Total Resources</b>	<b>312</b>	<b>312</b>	<b>294</b>	<b>294</b>	<b>298</b>	<b>298</b>	<b>473</b>	<b>473</b>	<b>431</b>	<b>431</b>
<b>City Deal</b>										
City Deal	157	157	423	423	620	620	3,313	3,313	2,394	2,394
<b>Total City Deal</b>	<b>157</b>	<b>157</b>	<b>423</b>	<b>423</b>	<b>620</b>	<b>620</b>	<b>3,313</b>	<b>3,313</b>	<b>2,394</b>	<b>2,394</b>

Schemes	2025/26		2026/27		2027/28		2028/29		2029/30	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Pipeline Schemes</b>										
St Richard Gwyn Redevelopment	3,227	13,227	1,091	23,811	1,000	15,398	448	9,276	915	915
Extension to Cowbridge Primary Phase 2 (Iolo)	1,166	5,812	202	8,111	2,968	3,209	246	246	0	0
Band B Penarth Cluster - Review Primary Provision to Include Cosmeston	0	0	0	1,750	0	2,435	0	0	0	0
Romilly Primary School New Dining Block	0	1,350	0	0	0	0	0	0	0	0
Non-Treasury Investment Strategy	3,000	3,000	2,465	2,465	2,484	2,484	3,000	3,000	0	0
<b>Total Pipeline Schemes</b>	<b>7,393</b>	<b>23,389</b>	<b>3,758</b>	<b>36,137</b>	<b>6,452</b>	<b>23,526</b>	<b>3,694</b>	<b>12,522</b>	<b>915</b>	<b>915</b>
<b>Total Value of Capital Programme</b>	<b>54,608</b>	<b>106,706</b>	<b>51,703</b>	<b>98,002</b>	<b>71,765</b>	<b>94,409</b>	<b>58,363</b>	<b>72,761</b>	<b>56,781</b>	<b>62,351</b>