

Meeting of:	Cabinet
Date of Meeting:	Monday, 27 February 2023
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Capital Strategy 2023/24 and Final Capital Programme Proposals 2023/24 to 2027/28
Purpose of Report:	The purpose of this report is to set out final proposals for Cabinet to consider, before making their recommendations to Council, in respect of the final capital budget for the financial year 2023/24 to 2027/28 and to consider the Capital Strategy for 2023/24.
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
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 2023/24 budget proposals will require the approval of Council.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The report provides the Council's Capital Strategy for 2023/24 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 • This report sets out the Council's proposed Final Capital Programme for the period 2023/24 to 2027/28 at Appendix 2. • 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. • The total value of capital schemes over the next five years is £345M and this is summarised in the table below. This includes £41M for the Band B Sustainable Communities for Learning 	

Programme (excluding the pipeline schemes) and £167M for the Housing Improvement Programme.

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Learning and Skills	36,697	6,981	1,000	2,750	3,435
Social Services	595	1,067	725	100	100
Environment	12,830	3,685	2,260	2,260	2,260
HRA	45,019	40,755	35,257	23,746	22,034
Place	4,039	1,753	1,605	1,605	1,605
Corporate Resources	1,130	766	1,419	1,919	1,819
City Deal	2,506	1,835	2,594	0	0
Pipeline Schemes	1,152	19,370	39,138	17,177	0
Total	103,968	76,212	83,998	49,557	31,253

Funding	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
General Capital Funding	6,997	6,997	5,829	5,829	5,829
Capital Receipts	6,933	368	1,280	155	155
Reserves	33,984	8,567	7,653	7,702	8,428
Unsupported Borrowing	20,829	34,584	33,429	12,082	9,033
Grants and Contributions (Including S106)	35,225	25,696	35,807	23,789	7,808
Total	103,968	76,212	83,998	49,557	31,253

- Since the Draft Capital Programme proposals report in January, a number of changes have been made including the re-profile of the Sustainable Learning Communities schemes, inclusion of the School Maintenance Grant, the inclusion of two pipeline schemes in relation to Saint Richard Gwyn Redevelopment and Cowbridge Primary Phase 2 and works on two Leisure Centre boilers at Llantwit Major and Cowbridge. The detail of these changes is covered later in the report.

Recommendations

1. That Cabinet recommend to Council that the Capital Strategy 2023/24 as set out in Appendix 1 is approved.
2. That Cabinet recommend to Council that the final Capital Programme for the years 2023/24 to 2027/28 as set out in Appendix 2 is approved.
3. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to or from the 2023/24 to 2027/28 Housing Improvement Programme as appropriate.
4. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to or from the 2023/24 to 2027/28 Asset Renewal budgets as appropriate.
5. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to S106 funded schemes subject to Member consultation as required under the existing process.
6. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to or from Energy Management Schemes.
7. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to or from the Building Strong Communities Fund schemes.
8. That Cabinet recommend to Council that the Chief Executive and the Head of Finance, in consultation with the Cabinet Member for Performance and Resources, are given delegated authority to make additions, deletions or transfers to or from the Sustainable Communities for Learning Band B programme (Previously 21st Century Schools schemes).
9. That Cabinet approve the reprofiling of the Sustainable Communities for Learning Programme for the years 2022/23 to 2027/28 as shown in paragraph 2.51 of this report.
10. That Cabinet approves the carry forward of the £557K City Deal Scheme budget in to the 2023/24 Capital Programme.

Reasons for Recommendations

1. To approve the Capital Strategy for 2023/24.

2. To set and approve future capital programmes to 2027/28.
3. To enable the Housing Capital budget to be managed effectively.
4. To enable the Asset Renewal budgets to be managed effectively.
5. To enable S106 schemes to be managed effectively.
6. To enable the Energy Management Schemes to be managed effectively.
7. To enable the Building Stronger Communities Fund to be managed effectively.
8. To enable the Sustainable Communities for Learning Band B programme to be managed effectively.
9. To reflect the work programme of the Sustainable Communities for Learning Band B schemes.
10. To reflect the latest City Deal business plan.

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 2023/24 and is attached at Appendix 1. The Strategy will also be submitted to full Council for approval.
- 1.3 CIPFA published revised codes of Practice on 20th December 2021 and has stated that formal adoption is 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 new 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 2023/24 to 2027/28 being included in Appendix 2.
- 1.6** The draft capital proposals were considered by Cabinet on 19th January 2023, minute C191, the report was presented to Scrutiny Committees in February 2023 for comment.
- 1.7** In responding to the report, the Environment and Regeneration Scrutiny Committee held on 14th February, the Homes and Safe Communities Scrutiny Committee held on 8th February, and the Learning and Culture Scrutiny

Committee held on 9th February 2023 made the recommendations in relation to the requests for funding: -

- T H A T both the Cabinet reference and appended Cabinet report in relation to the Draft Capital Programme Proposals 2023/24 to 2027/28 be noted.

1.8 The Healthy Living and Social Care Scrutiny Committee held on 7th February made recommendations as below:-

- T H A T both the Cabinet reference and appended Cabinet report in relation to the Draft Capital Programme Proposals 2023/24 to 2027/28 be noted.
- T H A T the following comments of the Committee be forwarded to the Corporate Performance and Resources Scrutiny Committee:
 - As a result of continued diligence shown by Council Officers, Committee are well aware of the significant costs incurred as a result of the requirement to place children and young people out of area.
 - The report is phrased as 'investment-to-save' and as such the Committee commends the report as presented which includes details on investing in community-based specialist accommodation provision despite the enormous financial pressures that the Council is facing.
 - The Committee welcomes the report which demonstrates the Council's approach of putting the needs of children and vulnerable adults before the requirement to save money.
 - As a Council and Committee, we look to offer the best protection we can offer to vulnerable individuals within the Vale of Glamorgan considering the financial constrictions placed upon the Council.
 - The Committee thank Finance Officers for a comprehensible report and useful supporting presentation.

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 15th February 2023, this Committee recommended that:-

- T H A T the draft Capital Programme for 2023/24 to 2027/28 be noted.
- T H A T the Committee supported the comments made by the Healthy Living and Social Care Scrutiny Committee and asks Cabinet to consider those listed above.

1.10 The Budget Working Group (BWG) have had consideration for the recommendations of the Scrutiny Committees when preparing the final 2023/24 capital programme.

2. Key Issues for Consideration

Capital Strategy

- 2.1** The Capital Strategy looks at a longer term view of the Council's capital investment requirements. This is the fourth year that the Capital Strategy has been produced in this format, 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, particularly regarding the impact of the COVID 19 pandemic and Britain's exit from the European Union, could have an impact on developments.
- 2.4** Condition surveys have recently been completed for all Schools; based on these it is estimated that capital investment of circa £25M to £30M is required over the next 5 years to finance improvement work. In the near future 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 and this is estimated to require capital investment of circa £20M to £30M.
- 2.5** Unsupported borrowing could be an option to bridge any funding gap however a full financial appraisal will need to be undertaken to ensure that the financial consequences are affordable and sustainable.
- 2.6** The Strategy confirms the importance of ensuring the efficient, effective and sustainable use of land and buildings to deliver fit for purpose property to support the Council's service delivery. This also ties in with the Council's Corporate Asset Management Plan, also on this agenda.
- 2.7** 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 2023/24 sets out the Council's intentions to place investment with the UK Government or other local authorities or AAA rated money market funds. £12M is being set aside for the Non-Treasury Investment Strategy. The Council will ensure that all the organisation's investments of this nature are covered in the capital strategy, investment strategy or equivalent and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments.
- 2.8** The Council is currently developing a Non Treasury Investment Strategy, this 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. This is funded using £2.2m of the Investment and Growth Fund with provision for up to £10M Prudential Borrowing. The fund for Investment totals £12M with £200k earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice.

- 2.9** As part of the Strategy, confirmation of any material commercial activities needs to be detailed. On 1st January 2020, the Council set up a Local Authority Trading Company to deliver catering services called the Big Fresh Catering Company. The Council owns 100% of the company shares. This Council does not have any other material commercial activities.
- 2.10** In considering this Strategy the Council will need to undertake several actions to make the most of potential funding and to meet the requirement to invest in assets. These are detailed in Section 11 of the Strategy.

Capital Resources Available

- 2.11** Details of the different sources of funding available to finance capital expenditure are outlined in Section 3 of the Capital Strategy.
- 2.12** On 14th December 2022, the Welsh Government (WG) announced the provisional 2023/24 General Capital Funding (GCF) settlement which was £6.997M, being made up of £3.545M grant and £3.452M of supported borrowing. This is an increase of £1.168M from the 2022/23 general capital funding of £5.829M (2021/22 General Capital Funding was £6.867M).
- 2.13** The provisional settlement advised:
‘That General Capital Funding for local government for 2023/24 has been confirmed at £180M and will remain at £180M for 2024/25. Even as we meet the challenges posed by inflation, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation.’
- The Council is awaiting further information from Welsh Government in relation to the £20M capital for decarbonisation mentioned above.
- 2.14** As no further indication has been received from Welsh Government, it has been assumed that from 2025/26 onwards, the level of capital funding will revert to the same level as set out in the 2022/23 Provisional Settlement and will then remain constant for the remainder of the period of this programme.
- 2.15** On this basis, the following table represents the capital funding from the Welsh Government assumed as part of the 5-year programme.

WG Funding	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Supported Borrowing General Fund	3,452	3,452	3,451	3,451	3,451
General Capital Grant	3,545	3,545	2,378	2,378	2,378
TOTAL	6,997	6,997	5,829	5,829	5,829

- 2.16** Another means of financing capital expenditure is through capital receipts resulting from the sale of assets. Receipts from the sale of Housing Revenue Account (HRA) assets can only be spent in the HRA and cannot be used to finance General Fund capital schemes.
- 2.17** 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.
- 2.18** Projected use and income generated from the sale of assets for the next 5 years is shown in the following table.

Capital Receipts	General	Ring-fenced Social Services	Ring- fenced Education
	£000	£000	£000
Projected Balance as at 31st March 2023	5,818	1,339	2,577
Anticipated Requirements – 2023/24	-3,541	0	-3,392
Anticipated Receipts – 2023/24	0	0	815
Balance as at 31st March 2024	2,277	1,339	0
Anticipated Requirements – 2024/25	-281	0	-300
Anticipated Receipts – 2024/25	213	0	300
Balance as at 31st March 2025	2,209	1,339	0
Anticipated Requirements – 2025/26	-1,280	0	0
Anticipated Receipts – 2025/26	0	0	0
Balance as at 31st March 2026	929	1,339	0
Anticipated Requirements – 2026/27	-155	0	0
Anticipated Receipts – 2026/27	0	0	0
Balance as at 31st March 2027	774	1,339	0
Anticipated Requirements – 2027/28	-155	0	-1000
Anticipated Receipts – 2027/28	1,000	0	1000
Balance as at 31st March 2028	1,619	1,339	0

- 2.19** Capital expenditure can also be funded by revenue contributions or the utilisation of existing reserves.
- 2.20** Schemes are also included in the programme that have funding under S106 planning obligations.
- 2.21** 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 £84.8M which is around £53.3M more than the level of General Capital Funding for the same period (£31.5M). The grants include the Sustainable Communities for Learning programme Band B (previously called 21st Century Schools) and pipeline schemes, the Access Improvement Grant and the Knap Skate Park grant.
- 2.22** The Major Repairs Allowance (MRA), which is the grant that provides capital funding to the Housing Revenue Account (HRA) has been set at £2.773M for 2022/23. 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 £2.773m throughout the period.
- 2.23** 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 2023/24 to 2027/28

- 2.24** The 2023/24 to 2027/28 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.
- 2.25** The initial capital proposals advised that while the evaluation process had been carried out for 2023/24 in the normal manner, the provisional settlement for 2023/24 had not been confirmed. It was therefore proposed at that point, due to the uncertainty in the level of funding to be provided, that no schemes would be approved for inclusion in the Capital Programme and further assessment would be carried out by the Budget Working Group once the level of funding was known.
- 2.26** The capital bids were taken to Insight Board on 18th November 2022. The bids had previously been prioritised by directorates and a representative from each directorate attended the meeting. The bids were discussed by the Board and

priority bids were highlighted to be put forward for funding on the grounds of Health and Safety and corporate priority.

- 2.27** This year's budget setting process has been the most collaborative and forensic the Council have ever undertaken. The budget is a weekly 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.
- 2.28** The Council's annual budget consultation exercise ran from 20th January 2023 to 15th February, 2023. There were 767 responses to the online survey in total, which is an improvement on last year where 342 responses were collected.
- 2.29** In summary respondents prioritised that Capital funding should be invested into road resurfacing, the capital programme proposals have regard for this and £1m is available for road resurfacing within 2023/24. Taking into consideration the limited financial resources available and other conflicting Council priorities this is the maximum allocation that can be made by the Council without additional funding being awarded from Welsh Government. Any further allocation from the current available resources would have a detrimental effect on other Council assets.
- 2.30** It was also agreed that investing in Social Services provision should be prioritised which constitutes investing in residential homes and Social Services Facilities. Within the capital programme investment is being made in the residential homes and £1.5m has been made available between 2023/24 – 2025/26 to support the development of an Asset Strategy for the service and support the development of specialist, community based accommodation within Social Services that will reduce the Council's reliance on out of county placements and improve outcomes across Children's and Adult Services. It is intended the use of community based specialist accommodation will also assist in reducing costs in the service.
- 2.31** As the provisional capital settlement from Welsh Government has now been received, it is proposed that new schemes are now included in the Capital Programme 2023/24 - 2027/28. The additional funding that was put forward for schemes in the Draft Capital Proposals that went to Cabinet on 19th January 2023, are detailed in the table below:

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Learning and Skills					
Safeguarding & Security of External School Boundaries	275	0	0	0	0
Ysgol St Baruc Internal Adaptions for Ysgol y Deri Temporary Occupation	140	0	0	0	0
Health & Safety Priority Items Identified in Condition Surveys	290	0	0	0	0
Additional Education Asset Renewal	200	400	400	400	400
Bro Morgannwg Cladding Works	415	0	0	0	0
Social Services					
Cartref Porthceri Residential Home – Drainage Repairs & Underpinning of Building	230	0	0	0	0
Ty Dyfan Residential Home – Roof Renewal	0	290	0	0	0
Ty Dyfan Residential Home PV Panels	0	52	0	0	0
Cartref Porthceri Residential Home PV Panels	23	0	0	0	0
Social Services Invest to Save Schemes	250	625	625	0	0
Environment and Housing					
Carriageway resurfacing	700	450	450	450	450
Retaining Wall Windsor Road	410	0	0	0	0
Penarth Leisure Centre High Level Glazing	200	0	0	0	0
Bridge Structures	500	1,425	0	0	0
Place					
Empty Homes Grant Scheme	85	85	0	0	0
BSC2	109	0	0	0	0
Corporate Resources					
Edge Switching	150	150	0	0	0
Decarbonisation	500	250	250	250	250
Total	4,477	3,727	1,725	1,100	1,100

2.32 A Summary of the Final Capital Programme Proposals 2023/24 to 2027/28 and how it is funded is included in the tables below:

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Learning and Skills	36,697	6,981	1,000	2,750	3,435
Social Services	595	1,067	725	100	100
Environment	12,830	3,685	2,260	2,260	2,260
HRA	45,019	40,755	35,257	23,746	22,034
Place	4,039	1,753	1,605	1,605	1,605
Corporate Resources	1,130	766	1,419	1,919	1,819
City Deal	2,506	1,835	2,594	0	0
Pipeline schemes	1,152	19,370	39,138	17,177	0
Total	103,968	76,212	83,998	49,557	31,253

Funding	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
General Capital Grant	3,545	3,545	2,378	2,378	2,378
General Fund (GF) Reserves/Revenue	16,796	1,462	937	900	800
HRA Revenue/Reserves	17,187	7,104	6,715	6,802	7,628
Capital Receipts	6,933	368	1,280	155	155
Grants	28,410	24,934	35,208	21,439	4,773
S106	6,816	763	600	2,350	3,035
Total	79,687	38,176	47,118	34,024	18,769
Borrowing Requirement					
Supported Borrowing	3,452	3,452	3,451	3,451	3,451
Unsupported Borrowing GF	3,636	7,262	10,249	511	0
Unsupported Borrowing HRA	17,193	27,322	23,180	11,571	9,033
Total Borrowing Requirement	24,281	38,036	36,880	15,533	12,484
Total Capital Programme	103,968	76,212	83,998	49,557	31,253

- 2.33** Since the draft Capital proposals, several amendments have been made to the five year Capital Programme and these are outlined in the paragraphs below: -
- 2.34** The Council has received an award of funding of £2.276M to support capital maintenance and energy efficiency works across the school estates. Eligible expenditure will include priority health and safety works, measures to improve energy efficiency and performance of school buildings, repairs and maintenance, measures to reduce operational carbon, supporting community use of school buildings and improving ventilation. The funding relates to the period 1st April 2022 to 31st March 2023. The terms and conditions allow for the funding to be used in the 2022/23 financial year for locally determined capital expenditure and the funding displaced by this grant will be spent in 2023/24 for investment in improvement of schools. The £2.276M will be put into a reserve at the end of the financial year and will fund the school maintenance schemes in the 2023/24 Capital Programme. This grant has been included in Appendix 2, approval will be sought early in the new financial year requesting the allocation of funding to specific schemes.
- 2.35** In relation to the £500K Decarbonisation budget within the 2023/24 Capital Programme, the Draft Capital Proposals report advised that bids would be sought across the Council and reviewed by the Project Zero Board early in the calendar year. It was advised that a breakdown of schemes would be provided in the Final Capital Proposals report. Proposals have been brought forward for 8 schemes (5 LED schemes, and 3 PV schemes) which the Project Zero Board have approved via email totalling £274K. Of this, £150k can be funded using the Salix Recyclable scheme. £150K has therefore also been included in Appendix 2. The £274K will be funded £150K from Salix funding and £124K from the £500K Decarbonisation budget. Internal discussions are being carried out to allocate the remaining balance of £376K from the £500K budget. The details of the schemes will be brought to Cabinet once known.
- 2.36** A scheme at Cartref Porthceri Residential Home in relation to installation of PV Panels with a budget of £23K was included in the Draft Capital Proposals for 2023/24 – 2027/28. Following further feasibility work, this scheme is no longer viable due to tree coverage and other building constraints and has been removed from Appendix 2.
- 2.37** Two schemes have been added in Appendix 2 in relation to Leisure Centre works. Funding was identified in the 2022/23 Capital Programme from the Leisure Centre works budget (contingency budget) for Llantwit Major Leisure Centre, Boiler & Water Heater Renewal and Cowbridge Leisure Centre Boiler renewal. There was an approved unallocated budget of £337K for Leisure Centre scheme in the 2022/23 Capital Programme. An Emergency Powers has been approved to carry forward the £337K budget into the 2023/24 Capital Programme to be allocated £160K for the Llantwit Major Leisure Centre Boiler & Water Heating

renewal scheme, £140K for Cowbridge Leisure Centre Boiler renewal scheme and £37K for the Leisure Centre Works Contingency budget.

- 2.38** A scheme has been added in Appendix 2 for the Access Improvement Grant. Grant funding has been secured from Welsh Government and a budget of £62K has been included each year in the 2023/24 and 2024/25 Capital Programme. The purpose of the Access Improvement Grant is to support improving access to/on the Public Rights of Way network, open access land, green and blue space in Wales.
- 2.39** Two Sustainable Communities for Learning pipeline schemes have also been included in Appendix 2 in relation to St Richard Gwyn Re-development and the Extension to Cowbridge Primary Phase 2. These are subject to full business case approval and to further Cabinet Reports. The schemes are detailed further in the School Investment section of this report.
- 2.40** The scheme in relation to the changing Rooms, ancillary facilities and replacement boxing club at the Buttrills playing field has been moved into the pipeline section of the final capital proposals in appendix 2 as the scheme is subject to a business case.
- 2.41** There is an allocation of £557K for the City Deal scheme in the 2022/23 Capital Programme, however as per the Cardiff Capital Region, Regional Cabinet meeting that was held on the 30th January 2023 this needs to be reprofiled in line with the latest business plan, it is therefore requested to Carry forward £557k into the 2023/24 Capital Programme. This has been reflected in Appendix 2.
- 2.42** The Initial Capital Proposals advised that the Asset Renewal budgets for each directorate would be reviewed and schemes would be identified prior to the approval of the Final Capital proposals for 2023/24 to ensure that funding is allocated to priority schemes. A full breakdown of the Asset Renewal budgets is now included in the 2023/24 capital programme.
- 2.43** Potential funding for 2023/24 onwards which has not been allocated to specific schemes is shown under the All-Services Asset Renewal heading.

School Investment Strategy

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

- 2.45** Considerable progress has been made to date, five 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 and Pencoedtre High School.
- 2.46** Cowbridge Primary School and the Centre for Learning and Wellbeing (known as Derw Newydd) are both under construction and progressing well with both projects on track to be delivered to programme.
- 2.47** Ysgol Sant Baruc Primary School is also under construction with works started on the scheme in January 2022. The school is due for completion in April 2023.
- 2.48** An outline planning application was submitted for the Ysgol Y Deri Scheme in late 2021. In October 2022 the outline application was changed to a full planning application based on the detail already submitted for the scheme. It is anticipated the proposal will be determined by March 2023.
- 2.49** St Nicholas CiW Primary School has received planning consent to redevelop the school to provide 126 primary school places and 24 part-time nursery places. Construction on site started in November 2022. The new school is planned to be operational by November 2023 and the demolition of the old school and external landscaping is anticipated to be completed by February 2024.
- 2.50** The table below details the Band B Schemes and budgets that are currently approved in the Capital Programme including the two recently approved emergency powers requests in relation to the Ysgol Sant Baruc and Centre for Learning and Wellbeing schemes.

	22/23	23/24	24/25	25/26	26/27	27/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Band B Pencoedtre High School	3,038	1,700	0	0	0	0	4,738
Band B Whitmore High School	446	0	0	0	0	0	446
Band B Centre of Learning and Wellbeing	4,900	2,586	223	0	0	0	7,709
Band B Ysgol Y Deri	800	15,245	5,648	0	0	0	21,693
Band B Ysgol Gymraeg Bro Morgannwg	274	0	0	0	0	0	274
Band B Ysgol Sant Baruc	3,960	4,419	490	0	0	0	8,869
Band B St David's Primary School	34	0	0	0	0	0	34
Band B South Point Primary School	28	0	0	0	0	0	28
Band B Cowbridge Primary Provision (YBF)	4,957	1,842	110	0	0	0	6,909
Band B St Nicholas	2,000	4,294	0	0	0	0	6,294
Band B Penarth Cluster - Review Primary Provision to Include Cosmeston	0	0	0	0	1,750	2,435	4,185
Band B Contingency	60	0	0	0	0	0	60
St Richard Gwyn	466	0	0	0	0	0	466
	20,963	30,086	6,471	0	1,750	2,435	61,705

2.51 Reprofiting of the Band B schemes is required to more accurately reflect the current work profile of the schemes, it is therefore requested to reprofile the Band B Schemes in the 2022/23 to 2027/28 Capital Programme as set out in the table below. The revised profiles shown below and are also reflected in Appendix 2 and the Capital Strategy.

	22/23	23/24	24/25	25/26	26/27	27/28	Total
Project	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Band B Pencoedtre High School	3,038	1,700	0	0	0	0	4,738
Band B Whitmore High School	446	0	0	0	0	0	446
Band B Centre of Learning and Wellbeing	5,800	1,686	223	0	0	0	7,709
Band B Ysgol Y Deri	600	15,445	5,648	0	0	0	21,693
Band B Ysgol Gymraeg Bro Morgannwg	274	0	0	0	0	0	274
Band B Ysgol Sant Baruc	2,901	5,968	0	0	0	0	8,869
Band B St David's Primary School	34	0	0	0	0	0	34
Band B South Point Primary School	28	0	0	0	0	0	28
Band B Cowbridge Primary Provision (YBF)	5,780	1,019	110	0	0	0	6,909
Band B St Nicholas	1,750	4,544	0	0	0	0	6,294
Band B Penarth Cluster - Review Primary Provision to Include Cosmeston	0	0	0	0	1,750	2,435	4,185
Band B Contingency	0	60	0	0	0	0	60
St Richard Gwyn	466	0	0	0	0	0	466
	21,117	30,422	5,981	0	1,750	2,435	61,705

2.52 Two pipeline schemes have been included in the Appendix 2 in relation to St Richard Gwyn redevelopment and Cowbridge Primary Phase 2.

2.53 Saint Richard Gwyn Redevelopment –The project would deliver a 1,050-capacity secondary school which has been based upon recent pupil projections. The total cost for the project is estimated at £62.039M. The project would benefit the Welsh Government intervention rate for Voluntary Aided faith schools of 85%, the Council would need to contribute 15%. In addition, the Net Zero Carbon costs would be 100% funded by Welsh Government. The St Richard Gwyn School scheme is anticipated to be added to the Band B programme via a Strategic Outline Programme Variation which has been submitted to Welsh Government for approval.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
St Richard Gwyn Redevelopment	466	572	15,427	31,719	13,855
Funding					
Grant	0	0	13,238	26,460	13,765
Reserves	466	0	0	0	0
S106	0	0	105	0	0
Unsupported Borrowing	0	572	2,084	5,259	90
Total	466	572	15,427	31,719	13,855

- 2.54** Cowbridge Primary Provision Phase 2 – This scheme will form part of the Council’s rolling programme for the Sustainable Communities for Learning grant. The project includes constructing a new 420 place primary school building on the Section 106 land within the ‘Land to the north and west of Darren Close’ housing development. Upon completion of the building, Ysgol Iolo Morgannwg would transfer to the new site. This would provide an additional 210 Welsh medium primary places and 30 nursery places. The total cost for the project is £13.764M, the project would benefit from 65% intervention rate from Welsh Government, with the Council funding 35% of the costs. Subject to the rolling programme guidance being published for the Sustainable Communities for Learning grant a further reduction to the Councils costs may arise if Welsh Government continue to fund 100% net zero carbon costs.

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

- 2.55** Further information can be found in section 2 of the Capital Strategy.

Housing Improvement Programme

- 2.56** The Council achieved Welsh Housing Quality Standard (WHQS) at the end of March 2018. The five year Capital Programme therefore reflects the level of works required to maintain WHQS and the Council's aspirations as part of the

Housing Asset Management Plan, which includes the building of new houses. This is further detailed in the 30 year Housing Improvement Plan, the revised version was brought to Cabinet 5th January 2023. The Housing Improvement Programme is reviewed annually and as part of this process the expenditure was re-profiled in line with the revised work programme.

- 2.57** During 2023/24 the Housing Development Team will continue to explore opportunities to address the growing international and domestic housing crisis. This will include the acquisition and repurposing of local hotels and vacant public buildings for temporary accommodation. The Council will also commit one its larger sites for ‘meanwhile use’ and will provide a 90-unit temporary accommodation facility at Eagleswell Road, Llantwit Major, primarily for use by Ukrainian people fleeing the conflict in their country.
- 2.58** The current Housing Business Plan also commits £90m of capital investment over the next five years to ensure the continued expansion and acceleration of the Councils housebuilding ambitions. Not only will this meet the ever growing needs of those on our waiting list but also looks to provide much needed temporary and permanent accommodation to address the current housing crisis affecting many of our residents and those who are homeless.
- 2.59** The sources of funding to be used to finance HRA expenditure in 2023/24 to 2027/28 are detailed in the table below.

Funding	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Revenue/Reserves	17,187	7,104	6,714	6,802	7,628
MRA Grant	2,773	2,773	2,773	2,773	2,773
Unsupported Borrowing	17,193	27,322	23,180	11,571	9,033
Other Grant/S106	7,866	3,556	2,590	2,600	2,600
Total Budget	45,019	40,755	35,257	23,746	22,034

Next Steps

- 2.60** The final settlement is now expected to be announced from Welsh Government on the 1st March which will inform the Final Capital Proposals report.
- 2.61** Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than 27th of February 2023 and that Cabinet’s final Capital Programme proposals will be considered by Council at a meeting to be held on 6th March 2023 to enable the Council Tax to be set by 11th March 2023.

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

3.1 The Capital Strategy and Capital Programme focuses capital investment to deliver the outcomes identified as part of the Corporate Plan. Some examples are:

- **To work with and for our communities** - Consultations are carried out as part of the budget setting process, with the community on capital projects. Building Stronger Communities capital grants are being issued to support projects being carried out by members of the community.
- **To support learning, employment and sustainable economic growth** - Further investment in schools through the School Investment Programme. Contributing as a partner in the Cardiff Capital Region City Deal will bring economic prosperity to the area. There will be continued investment in environment and regeneration programmes to support economic growth and further investments supported as part of the proposed Non-Treasury Service Investment Strategy - Investment and Growth Fund.
- **To support people at home and in their community** - Investment in housing through the Housing Improvement Programme will maintain the Welsh Housing Quality Standard, consideration of alternative heating measures and new developments. Disabled Facility Grant and Enable schemes that support Vale of Glamorgan residents in their homes. Investment in leisure centres and playgrounds will encourage more use and activity.
- **To respect, enhance and enjoy our environment** - St David's CIW Primary School was designed to be low (in-use) carbon through improved building fabric, maximising renewables and its only energy source is electric. The design has been utilised for the new build for South Point Primary School which is the first net-zero carbon primary school in Wales. The Council has also successfully applied for additional Welsh Government funding to support further decarbonisation across the Sustainable Learning Communities Programme. Investing in the introduction of LED street lighting will bring environmental benefits. vehicle charging infrastructure has been installed at the Alps Depot and the Civic Offices. The school decarbonisation programme consists of a variety of energy reduction measures and renewable energy installations have been identified across several assets within the school portfolio. Recycling is now to be sorted into separate containers, the change is aimed at improving the quality of the materials that are collected for recycling which is better for the environment and will help the Council to recycle more.

3.2 The Capital Strategy considers the Five Ways of Working.

3.3 **Looking to the long term** - The development of the capital programme is a means of planning for the future and takes a strategic approach to ensure

services are sustainable and that investments are affordable over the longer term and that future need and demand for services is understood.

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

4. Climate Change and Nature Implications

- 4.1** The Council understands the importance of decarbonisation to help protect and sustain the environment over the long term and in line with its Climate emergency declaration is working and investing in measures to reduce its CO2 emissions.

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 £217M. The total gross capital expenditure is £345M.
- 5.2** In line with the overall Financial Strategy, in order to resource the Capital Programme, just under £21M of general fund reserves will be utilised over the period of the Capital Programme 2023/24 to 2027/28, however this should be balanced with the need to utilise reserves to support the revenue budget in the context of the current cost of living and revenue pressures.
- 5.3** Capital receipts are also utilised to fund the Capital Programme. The Education Capital Programme utilises general capital receipts in addition to capital receipts ring fenced for Education. The capital receipt balance for Social Services has been

ring fenced for Social Services capital expenditure for Older Persons Accommodation.

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 Provisional Revenue Settlement letter dated 14th December 2022.



VALE of GLAMORGAN COUNTY BOROUGH COUNCIL

CAPITAL STRATEGY

2023/24



Final Capital Strategy 2023/24

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1. Introduction and Aims of The Capital Strategy

Introduction and Aims

- 1.1 The Capital Strategy provides a framework which outlines how capital expenditure, capital financing and treasury management activity contribute to the provision of corporate objectives, along with an overview of how associated risk is managed and the implications for future financial sustainability. It therefore outlines the Council's need to acquire, dispose of or enhance assets such as land, buildings, roads, vehicles & plant to provide sustainable service provision to support its objectives. As resources available to meet the capital requirements of the Council are limited, the Strategy explains how priorities are set and outlines the sources of funding available, including the level of borrowing it will need and can afford to undertake and its investment strategy.
- 1.2 The Strategy should look to the longer term and is supported by a detailed Capital Programme for five years covering the period 2023/24 to 2027/28. This is the fourth year that the Capital Strategy has been produced, however this is the first year that a Draft Capital Strategy has been produced, the draft strategy was taken to Cabinet on 6th October 2022. The strategy will be updated bi-annually and evolve over future years.
- 1.3 The Council's capital expenditure is reflected in the Balance Sheet of its Statement of Accounts ensuring stewardship of assets is demonstrated. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Council. The Council's assets at the 31 March 2022 have a net book value of £694M which includes £188M relating to housing stock.

Definition of Capital and Capitalisation Policy

- 1.4 Capital expenditure is defined by the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice (SORP) as "Expenditure on the acquisition, creation or enhancement of an asset". The Local Authorities Capital Finance and Accounting (Wales) Regulations also provides for other items to be defined as capital expenditure. These are:
 - Expenditure on computer programs.
 - The making of a grant or other financial assistance to any person towards expenditure that would be capital expenditure if incurred by the authority.
 - The acquisition of share and loan capital.
 - The repayment of grant given for capital purposes; and
 - Expenditure on works on land and buildings and on assets not owned by the authority.

1.5 The Council also uses a de minimus level of £10,000 to classify expenditure as capital or proceeds from the sale of an asset as a capital receipt, with expenditure or income below this level being classed as revenue.

Prudential Code

1.6 The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.

1.7 CIPFA released an updated version of the Prudential Code in December 2017. The revised code includes a new requirement for authorities to produce a Capital Strategy. To comply with the requirements, a Capital Strategy has been produced for 2023/24 and will be updated on a biannual basis. This Strategy will also need to be submitted to full Council for approval.

1.8 CIPFA published revised codes of Practice on 20th December 2021 and has stated that formal adoption is required for the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Capital Strategy, Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year, which are required to be taken to Full Council for approval. The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address Environmental, Social & Governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice (TMP)1 (to address ESG policy within the treasury management risk framework);

- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

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

2. Links to Strategic Plans and Future Capital Requirements

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

Corporate Plan

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

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

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

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

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

- **Looking to the long term** - The development of the Capital Programme and the Capital Strategy is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that investments are affordable over the longer term and that future need and demand for services is understood.
- **Taking an integrated approach** – The Capital Strategy recognises that in setting the Capital Programme, working with partners is encouraged, as it allows

the utilisation of funding from various sources, such as Welsh Government and S106 contributions, to deliver schemes.

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

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

Medium Term Financial Plan (MTFP)

2.7 The Council produces a rolling Medium Term Financial Plan as a mechanism which allows the Council to forecast the level of funding available in future years and to match this against the likely expenditure. It links both the planning process with the budget process and ensures consistency between them. The MTFP is therefore of crucial importance for the development of a plan for capital investment. The revenue consequences of any capital investment have to be determined and built into the planning process and needs to ensure that they are affordable going forward. The latest MTFP is being brought to the Cabinet on the same agenda as this strategy on 27th February 2023.

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 is being presented to Cabinet on the same agenda as this strategy.

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.

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

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

2.12 An Acquisition Protocol has previously been developed which will help to ensure that a coordinated approach is adopted for any potential acquisitions. The protocol requires the following:

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

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

Highways Asset Management Plan

2.14 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

2.15 As of 31st March 2022, the Council's housing stock stood at 3,916 dwellings.

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

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

2.18 To support this Strategy and to comply with Welsh Government's requirements, a 30 year Housing Business Plan is produced each year. The current Housing Business Plan was approved at Council on the 7th March 2022. This Plan forms the basis of the Compensation Award (formerly Major Repairs Allowance) grant application, which is a pivotal financing component for the Housing Improvement Programme. The next Housing Business Plan is being taken to Council on the 6th March 2023. The total capital spend in the HRA between 2023/24 to 2027/28 is anticipated to be £167M.

2.19 During 2023/24 the Housing Development Team will continue to explore opportunities to address the growing international and domestic housing crisis. This will include the acquisition and repurposing of local hotels and vacant public buildings for temporary accommodation. The Council will also commit one of its larger sites for 'meanwhile use' and will provide a 90-unit temporary accommodation facility at Eagleswell Road, Llantwit Major, part funded by Welsh Government, primarily for use by Ukrainian people fleeing the conflict in their country.

2.20 The current Housing Business Plan also commits £85m of capital investment over the next 5 years to ensure the continued expansion and acceleration of the Councils housebuilding ambitions. Not only will this meet the ever growing needs of those on our waiting list but also looks to provide much needed temporary and permanent accommodation to address the current housing crisis affecting many of our residents and those who are homeless

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

ICT and Digital Strategy

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

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

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

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

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

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

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

Waste Management Strategy

- 2.1 The draft 10 year Recycling and Waste Management Strategy and Business Plan was initially presented to Cabinet, 28th March 2022 and agreed in principle subject to consultation over the summer of 2022. The results on the consultation were presented to Cabinet 19th January 2023 and they will be reviewed by the Environment and Regeneration Scrutiny Committee 14th February 2023. 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.
- 2.2 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) that will prepare recycling material for resale and reuse, as well as all the necessary plant and equipment.
- 2.3 The Council was allocated £3.5M from Welsh Government in 2018/19, £2.8M in 2019/20 and the first service change was introduced to the Rural Vale in October 2019, a further roll out was undertaken across Barry in October 2020 and the final roll out will be introduced to Penarth and surrounding areas, 17th April 2023. The Penarth roll out was reliant on the completion of the new RRF.
- 2.4 Additionally, a further grant of £2.6M has recently been awarded to the Council, of which £2.2M is to construct phase 2 of the RRF and £400K is to fund an additional Baler. After the initial design of the RRF, construction was later 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 is anticipated to be operational, March 2023.
- 2.5 Additionally, there was a grant of £1.108M in 2020/21, £358K awarded to construct a reuse shop on the Household Waste Recycling Centre site in Barry, £250K for bins to introduce source separated recycling for flats and apartments and £500K to fund new recycling sorting equipment, for the RRF.
- 2.6 £600K has been built into the 2022/23 Capital Programme and £2.8M in the 2023/24 Capital Programme for the Atlantic Trading Estate Fleet Parking scheme, this scheme is to redevelop land on Atlantic Trading Estate (ATE), Barry to accommodate Recycling and Waste collection vehicles.
- 2.7 Further detail can be found at [Revised Waste Management Strategy](#)

School Investment Programme

- 2.8 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.
- 2.9 The first tranche of schemes under Band A were delivered between 2013/14 and 2018/19. Band B schemes commenced in 2018/19 and there is now a move towards a rolling programme on investment in schools.
- 2.10 Considerable progress has been made to date, five 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 and Pencoedre High School.
- 2.11 Cowbridge Primary School and the Centre for Learning and Wellbeing (known as Derw Newydd) are both under construction and progressing well with both projects on track to be delivered to programme. Work on both schools started in June 2022 and Cowbridge Primary School will be complete in June 2023 and is planned to be operational from September 2023 for the nursery and reception intake. Derw Newydd will be complete in July 2023 and will be operational from September 2023. Cowbridge Primary School building will form part of an All Through School at Cowbridge Comprehensive which will provide education from 3 to 19 year olds. The new primary school building is located within the grounds of the Comprehensive school and will provide 210 primary school places and 48 part-time nursery places once completed. The Centre for Learning and Wellbeing is a purpose-built school to accommodate pupils from Y Daith in Cowbridge and Amelia Trust Farm Campus, north of Barry. The new school will be managed as part of Ysgol Y Deri and form part of the wider ALN provision in the Vale of Glamorgan. The new school has capacity for 60 pupils once completed. Both schools will be net zero carbon in operation once complete and include ecological enhancements throughout the schemes.
- 2.12 Ysgol Sant Baruc Primary School is also under construction with works started on the scheme in January 2022. The school is due for completion in March/April 2023. The handover of the school will be finalised in April 2023 with the new school being operational before the end of April 2023.
- 2.13 An outline planning application was submitted for the Ysgol Y Deri Scheme in late 2021. In October 2022 the outline application was changed to a full planning application based on the detail already submitted for the scheme. It is anticipated the proposal will be determined by March 2023, this has been delayed due to the requirement to undertake additional survey work in relation to archaeology and ecology. Subject to planning approval, the construction start date is expected in late April/May 2023. The delay in planning has impacted upon the completion date for the project which is now planned for February 2024. Full business case approval has now been received from Welsh Government.
- 2.14 St Nicholas CiW Primary School has received planning consent to redevelop the school to provide 126 primary school places and 24 part time nursery places. The

new school will be net zero carbon in operation and include improvements to parking and pupil drop-off/pick up which would be accommodated on site rather than on the local highway adjoining the school frontage. The project has also received SAB consent. Additional information has been submitted to the Local Planning Authority to discharge the relevant planning conditions to allow development to commence on site. Construction on site started in November 2022. The new school is planned to be operational by November 2023 and the demolition of the old school and external landscaping will be completed by February 2024.

2.15 A Strategic Outline Programme (SOP) Variation request was submitted to Welsh Government and considered by their Investment Panel on 18th August 2022. The SOP Variation has been approved and the Council has received the formal decision letter from the Minister. Over the whole programme, the Council has taken a proactive approach to fund increases in projects to ensure they are delivered to the desired specifications. This has resulted in several projects in the programme having a lower intervention rate for Welsh Government grant funding. The SOP Variation was submitted to address this imbalance. The following Welsh Government intervention rates should be applied to the overall programme:

- 65% for Community Schools
- 75% for ALN / SEN Schools
- 85% for Voluntary Aided Faith Schools

2.16 Previously twelve schemes were included in the Band B programme, however, following a review of the outstanding projects the Nursery Provision Penarth project was unviable due to feasibility issues. This project has been removed from the programme under the SOP variation and resulted in eleven projects remaining in the capital programme.

2.17 Progress on the Penarth Primary Provision project is dependent on the housing allocation at Upper Cosmeston Farm coming forward. Currently Welsh Government have submitted an outline planning application for the residential scheme which includes land safeguarded for a primary school. A determination on this outline planning application is outstanding but is expected to be determined in spring 2023. It should be noted that the scheme would likely be linked to the residential allocation coming forward and the release of the land would be connected to the number of dwellings developed on the site. This would reflect previous section 106 agreements relating to safeguarded education land within a development. Therefore, it is considered this proposal will likely come forward within the rolling programme.

2.18 The changes within the SOP Variation resulted in £11.57M of internal Council funding being released. However, £6.815M needed to be reallocated to projects within the programme to cover increased costs following final costs being received from contractors. This included St Nicholas, Cowbridge and Ysgol Y Deri. This left a total of £4.755M unallocated funds within the programme, these funds were safeguarded for the programme to be allocated on future potential projects. This released funding has now been utilised towards funding the pipeline schemes, Saint Richard Gwyn Redevelopment and Cowbridge Phase 2 scheme, more detail regarding these schemes is detailed later in this section.

2.19 Since the approved SOP the Council has received an updated cost profile for the Band B Ysgol Sant Baruc Scheme project from the contractor which included additional costs associated with the low carbon measures instructed for the project in January 2022 following the Welsh Minister for Education and the Welsh Language's announcement in November 2021 that all new schools and colleges in Wales will be net zero carbon from January. The overall cost for the low carbon measures is £564K and In January 2023 Welsh Government have approved to 100% fund this element. In addition to the low carbon costs, the Consortium also outlined further costs within an updated cost profile received in January 2023. This included a required contribution of £164K to cover variations issued by the Council in relation to the new school building being constructed. Welsh Government funding is currently being requested at the standard intervention for a community school of 65% on £164K equating to £107K. The remaining 35% would be funded by the Council with £57K. An emergency powers request has been approved to increase the scheme by the additional net zero carbon grant funding from Welsh Government of £564K in the 2023/24 Capital Programme, and also whilst the Council is awaiting approval from the Welsh Government it is recommended that £164K increase is covered through the Band B contingency budget being carried forward into the 2023/24 Capital Programme and vired to the Band B Ysgol Sant Baruc scheme. If approved the Welsh Government element of £107K will then be released back into the overall Band B Contingency scheme budget. The above two requests will result in a new total scheme budget of £9,184K.

2.20 Additional costs have also occurred in relation to the Centre for Learning and Wellbeing scheme totalling £167K. Additional costs relate to the removal of Japanese Knot Weed, underground tanks, new boundary walls and perimeter fencing and also anti-climb improvements. Welsh Government funding is currently being requested at 75% of £167K equating to £125K. The remaining 25% (£42k) would be funded by the Council. An emergency powers request has been approved that whilst the Council is awaiting approval from the Welsh Government it is recommended that £167K increase is covered through the Band B contingency budget being carried forward into the 2023/24 Capital Programme and vired to the Band B Ysgol Sant Baruc Scheme. If approved the Welsh Government element of £125K will then be released back into the overall Band B Contingency scheme budget. This will result in a new total scheme budget of £8,135K.

2.21 The table below details the most recent profiles and funding of the Sustainable Communities for Learning Programme including the changes detailed above and requested in the Cabinet Report in relation to this Strategy:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Project	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Band B Pencoedtre High School	3,038	1,700	0	0	0	0	4,738
Band B Whitmore High School	446	0	0	0	0	0	446
Band B Centre of Learning and Wellbeing	5,800	1,686	223	0	0	0	7,709
Band B Ysgol Y Deri	600	15,445	5,648	0	0	0	21,693
Band B Ysgol Gymraeg Bro Morgannwg	274	0	0	0	0	0	274
Band B Ysgol Sant Baruc	2,901	5,968	0	0	0	0	8,869
Band B St David's Primary School	34	0	0	0	0	0	34
Band B South Point Primary School	28	0	0	0	0	0	28
Band B Cowbridge Primary Provision (YBF)	5,780	1,019	110	0	0	0	6,909
Band B St Nicholas	1,750	4,544	0	0	0	0	6,294
Band B Penarth Cluster - Review Primary Provision to Include Cosmeston	0	0	0	0	1,750	2,435	4,185
Band B Contingency	0	60	0	0	0	0	60
St Richard Gwyn	466	0	0	0	0	0	466
	21,117	30,422	5,981	0	1,750	2,435	61,705

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Funding	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grant (Inc displacement)	11,317	18,229	3,844	0	0	0	33,390
S106	4,100	5,038	58	0	1,750	2,435	13,381
Capital Receipts	481	3,605	86	0	0	0	4,172
General Capital Funding	811	0	0	0	0	0	811
Reserves	4,408	2,090	0	0	0	0	6,498
Unsupported Borrowing	0	1,460	1,993	0	0	0	3,453
Total	21,117	30,422	5,981	0	1,750	2,435	61,705

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

2.23 Saint Richard Gwyn - The 3 to 16 Faith School Scheme has been amended to remove the All through School element and focus on the redevelopment of the Secondary School only, this was approved by Cabinet on 22nd September 2022. The project would deliver a 1,050-capacity secondary school which has been based upon recent pupil projections. The total cost for the project is estimated at £62.039M. The project would benefit the Welsh Government intervention rate for Voluntary Aided faith schools of 85%, the Council would need to contribute 15%. In addition, the Net Zero Carbon costs would be 100% funded by Welsh Government, this accounts for £4.810M. The Council would be required to fund £8.511M of the costs to deliver the St Richard Gwyn School project. The majority of the Council costs will be funded via borrowing and £105k will be funded through relevant section 106 agreements. The St Richard Gwyn School scheme will be added to the Band B programme via a SOP Variation which has been submitted to Welsh Government for approval. The anticipated profile and funding of the scheme is detailed below:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
St Richard Gwyn Redevelopment	466	572	15,427	31,719	13,855
Funding					
Grant	0	0	13,238	26,460	13,765
Reserves	466	0	0	0	0
S106	0	0	105	0	0
Unsupported Borrowing	0	572	2,084	5,259	90
Total	466	572	15,427	31,719	13,855

2.24 Cowbridge Primary Provision Phase 2 will form part of the Council's rolling programme for the Sustainable Communities for Learning grant. The project includes constructing a new 420 place primary school building on the Section 106 land within the 'Land to the north and west of Darren Close' housing development. Upon completion of the building, Ysgol Iolo Morgannwg would transfer to the new site. This would provide an additional 210 Welsh medium primary places and 30 nursery places. This would support growth in Welsh medium primary education, supporting the Council's WESP and Welsh Governments 'Cymraeg 2050' strategy. To support Welsh medium expansion within Cowbridge and across the Vale, an additional facility is also proposed to establish onsite support for adult education and immersion for primary aged pupils (aged 7 and above). A self-contained unit would provide Welsh medium immersion placements, as well as offering Welsh lessons for adults, particularly those living within the residential development. The total cost for the project is £13.764M, the project would benefit from 65% intervention rate from Welsh Government, with the Council funding 35% of the costs. This equates to £4.817M, however, subject to the rolling programme guidance being published for the Sustainable Communities for Learning grant a further reduction to the Councils costs may arise if Welsh Government continue to fund 100% net zero carbon costs. The publication of the guidance is due in February 2023. On 2nd February 2023, the Council Cabinet approved the education consultation for the project which is due to go live on 27th February 2023. The anticipated profile and funding of the scheme is detailed below:

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

2.25 The [Learning and Skills Investment Strategy 2022-2027](#) was presented to Cabinet on the 17th November 2022 and is linked here.

City Deal

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

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

2.28 Key highlights for 2022/23 are set out below.

- £50M Strategic Premises Fund launched and first investment crystalized in Ebbw Vale for £1.7M for Pulse Plastics.
- £36.4M purchase and remediation of Aberthaw.
- £7M investment in Cyber Innovation Hub.
- £3M investment into the Media Cymru consortium.
- Unveiling of the CCR Unleash Ambition and Growth conference.
- Creation of £50M Innovation Investment Capital fund and launch at Principality Stadium.
- £2.6M Food Sustainability Challenge launched in conjunction with Cardiff and Monmouth.
- £2M Investment in MedTech company Jellagen, £4M into Yoello and £3M for Apex.

- CCR Climate Coalition launched.
- Venture Graduate launched new Accelerator Programme.
- Cyber Masters cohort successfully graduate, and funding agreed for a second year.

For more detail on 2022/23 highlights please see the following publication:

<https://www.cardiffcapitalregion.wales/wp-content/uploads/2023/01/ccr-2022-monthly-milestones.pdf>

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

1. Build Back Better – playing our part in economic recovery and building resilience.
2. Becoming a City Region – strengthening regional economic governance.
3. Scaling-up and delivering the City Deal ‘peak’ Wider Investment Fund pipeline and programme.
4. Making the case for Levelling-up CCR.
5. Developing the plan for industrial-scale clusters and innovation-led growth.

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

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

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

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

External Influences – Welsh Government

2.33 Capital priorities can be established by the Welsh Government which are subsequently backed by additional resources via specific grants. Some recent examples of these are the Sustainable Communities for Learning programme, flood prevention schemes the A4226 Five Mile Lane improvement scheme and the Waste Transfer Station scheme.

External Influences – Legislation

- 2.34 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.
- 2.35 The Energy Efficiency (Private Rented Sector) (England and Wales) Regulations 2015 made it unlawful from April 2018 to let residential or commercial properties with an energy performance certificate (EPC) rating of 'F' or 'G' (the lowest grades of energy efficiency). The regulations are enforced by trading standards. Penalties will be based on the rateable value of the property, up to a maximum of £150,000 per property. The current requirement is triggered upon the grant of a new lease but also upon lease renewals, sub-letting and assignments. The scheme was extended on 1st April 2023 to cover all leases, including where a lease is already in place. There are certain exemptions however the majority of the Council's leased out portfolio will be within scope. The scale of the total investment required is unknown as measurement standards continue to evolve. Where a property has required upgrading work, the Property Section has worked closely with the assessor to choose measures that have helped with the compliance but also compliment the asset from a maintenance perspective moving forward. The future evolution of the scheme will be closely monitored as it is expected that further extensions or changes to the scope may be announced. The full impact will need to be assessed to identify future capital requirements and provision will need to be made in the capital programme as necessary.
- 2.36 The Council has a duty to ensure that buildings under its control comply with appropriate statutory, regulatory and corporate standards. The Council has a dedicated Corporate Compliance Service whose role is to monitor building compliance across the corporate estate and to highlight any non-compliance issues to the relevant Premise Managers To protect both workers and the public the Council regularly inspects its premises and monitors compliance with Health & Safety legislation. Compliance legislation covers a wide range of aspects which have a service/maintenance requirement or form part of ongoing risk assessments. The aim is to ensure the Council operates from fully compliant buildings and that all premises responsible officers can update the data held in relation to frequency testing.

External Influences – Collaboration

- 2.37 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.
- 2.38 Further details can be found at [Community Asset Transfer Guidance 2019-23](#).

External Influences – Consultation

- 2.39 The Council's annual budget consultation exercise ran from 20th January 2023 to 15th February, 2023. The consultation was published as an online survey, with the option for residents and stakeholders to give their views via the telephone. The online survey was widely promoted via the Council's Twitter and Facebook channels and received a high level of reach and engagement on both platforms.
- 2.40 The consultation was also promoted to a wide range of stakeholders both via email and as part of the Council's consultation circular, Vale Viewpoint. A press release was launched, which was picked up by local media outlets.
- 2.41 There were 767 responses to the online survey in total, which is an improvement on last year where 342 responses were collected.
- 2.42 In summary respondents prioritised that Capital funding should be invested into road resurfacing, the capital programme proposals have regard for this and £1M is available for road resurfacing within 2023/24. Taking into consideration the limited financial resources available and other conflicting Council priorities this is the maximum allocation that can be made by the Council without additional funding being awarded from Welsh Government. Any further allocation from the current available resources would have a detrimental effect on other Council assets.
- 2.43 It was also agreed that investing in Social Services provision should be prioritised which constitutes investing in residential homes and Social Services Facilities. Within the capital programme investment is being made in the residential homes and £1.5M has been made available between 2023/24 to 2025/26 to support the development of an Asset Strategy for the service and support the development of specialist, community based accommodation within Social Services that will reduce the Council's reliance on out of county placements and improve outcomes across Children's and Adult Services. It is intended the use of community based specialist accommodation will also assist in reducing costs in the service.
- 2.44 Respondents voted for school adaptations and improvements as their third preference, this is reflected in the Capital Programme as significant investment is being made in relation to the Sustainable Learning for Communities 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 14th December 2022, Welsh Government announced the provisional 2023/24 General Capital funding settlement, which was £6.997M, being made up of £3.545M grant and £3.452M of supported borrowing. This is an increase of £1.168M from the 2022/23 funding of £5.829M.
- 3.4 Welsh Government has also advised that £20M capital across Wales is being provided to enable authorities to respond to the joint priority of decarbonisation. The Council is awaiting further information from Welsh Government in relation to this to understand what it means for the Council. Welsh Government have confirmed that the general capital funding will remain at the same level for 2024/25
- 3.5 As no further indication has been received from Welsh Government, it has been assumed that from 2025/26 onwards, the level of capital funding will revert to the same level as set out in the 2022/23 Provisional Settlement and will then remain constant for the remainder of the period of this programme.

Compensation Award – Welsh Government

- 3.6 The Welsh Government issues a Compensation Award (formally Major Repairs Allowance) to the Council as a grant which is to be used for any capital expenditure on Housing Revenue Account (HRA) assets. This has contributed to the Council's achievement of the Welsh Housing Quality Standards in March 2018. The Compensation Award for 2022/23 is £2.773M. As no further indication has been received for future years it has been assumed within the strategy that the grant remains at £2.773M per annum as awarded in 2022/23.

Specific Grants – Welsh Government

- 3.7 The Welsh Government provides the Council with specific grants for priority areas. These grants are allocated to the Council either as a result of submission of specific bids or via a formula allocation.
- 3.8 It is estimated that over the next five years the Council will receive grant funding from Welsh Government for Sustainable Communities for Learning Programme,

Flood Defence and Structures work, including finalisation of the Five Mile Lane Improvement scheme. Some of these schemes may require a match funding contribution to be made by the Council which is built into the capital programme. It is not possible to predict and plan for any other grants beyond this period.

Unsupported/Prudential Borrowing

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

Scheme	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000
General Fund Supported Borrowing	3,452	3,452	3,451	3,451	3,451	17,257
General Fund Unsupported Borrowing						
Sustainable Communities for Learning Programme (Inc Pipeline projects)	2,033	4,077	7,655	511	0	14,276
City Deal	608	1,835	2,594	0	0	5,037
Vehicles	846	0	0	0	0	846
Buttrills Changing Rooms Pipeline Project	150	1,350	0	0	0	1,500
Total General Fund	7,089	10,714	13,700	3,962	3,451	38,916
Housing Revenue Account Unsupported Borrowing	17,193	27,322	23,180	11,571	9,033	88,299
Total New Borrowing	24,282	38,036	36,880	15,533	12,484	127,215

3.10 After allowing for repayments, the balance of Prudential Borrowing as at 31st March 2022 was £30.587M of which £16.584M is HRA. At the end of the Capital Programme period (31st March 2028) the outstanding prudential borrowing taking into account repayments is expected to be £27.955M for the General Fund and £89.448M for the Housing Revenue Account.

Contributions from Revenue and Reserves

- 3.11 Capital expenditure can also be funded by revenue contributions or the utilisation of existing reserves. Reserves are sums of money that have been set aside by the Council for a specific purpose. The Council has recently undertaken a review of its reserves, this has resulted in fewer reserves but a greater alignment to key risks of the Council.
- 3.12 A number of reserves are used to fund the Capital Programme, it is anticipated that over the next five years reserves of circa £21M (excluding HRA reserves) will be used to fund capital expenditure.
- 3.13 Over recent years substantial funding has been transferred into the Schools Investment Strategy reserve in order to fund the Band B Sustainable Communities for Learning programme however as the scheme progresses this reserve will be utilised.
- 3.14 The Investment and Growth Fund reserve will be to support a Non Treasury service investment programme to support regeneration and recovery through economic development and green infrastructure schemes. which is intended to address opportunities identified in the Council's Recovery Strategy to support innovative business and economic regeneration, increase capital programme investment and focus on green jobs and green infrastructure. The Investment and Growth Fund is to be funded using £2.2M of the Investment and Growth Fund reserve and with provision for up to £10M Prudential Borrowing. The fund for Investment totals £12M with £200K earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice.

Capital Receipts

- 3.15 Capital expenditure is also financed through receipts resulting from the sale of Council assets.
- 3.16 Receipts from the sale of HRA assets can only be spent within the HRA and cannot be used to finance General Fund capital schemes. The Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 gained Royal Assent on 24 January 2018 and the provisions in the Act came into force on 26 January 2019 but there are some exceptions. No HRA receipts have therefore been assumed in the Housing Business Plan. A Capital Receipt has been received in 2022/23. However, any HRA capital receipts received in year are used to fund capital expenditure in that year and therefore as at 31st March 2022 the Council did not hold a balance of HRA receipts. The reason for this is to reduce the level of borrowing within the HRA.
- 3.17 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 31st March 2022 the balance of vehicle capital receipts was zero.

3.18 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.

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

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

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

3.22 Three capital receipts are estimated to be received for Education assets between 2023/24 and 2027/28, however any income from Education Capital Receipts received will be ring fenced for the School Investment Programme.

Other External Contributions

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

4. Prioritisation of Capital Requirements

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

Capital Programme Approval Process

- 4.2 Services were asked to submit capital bids for new schemes that may be required over the next five years in September. The Initial Capital Programme Proposals 2023/24 to 2027/28 were taken to Cabinet on 6th October 2022. No bids were included in the proposals at this time as the Welsh Government provisional settlement had not been announced. The bids were evaluated and prioritised by the Strategic Insight Board during October. The Strategic Insight Board is a group of senior officers covering all service areas who oversee the delivery of the Council's range of integrated planning activity. The Strategic Insight Board uses a number of criteria to prioritise the capital bids as outlined below. The recommendations of the Strategic Insight Board are then reviewed by the Budget Working Group which comprises the Leader and Deputy Leader, the Chief Executive and the Head of Finance. A draft Capital Programme 2023/24 to 2027/28 inclusive of successful bids was taken to Cabinet on 19th January 2023 and were then submitted to Scrutiny Committees for consultation. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and considers both the initial capital proposals and the draft capital proposals and any recommendations that other Scrutiny Committees have made.
- 4.3 Consultation regarding budget issues is also undertaken with the Vale's residents and other partners e.g., Town and Community Councils.
- 4.4 After taking into account the results of consultation and the Final Settlement from Welsh Government, Cabinet will make its final proposals during February, which will then be presented to full Council for final approval prior to 6th March 2023.

Assessment of Capital Bids

- 4.5 When setting the capital programme, the following principals are applied.
- Only capital bids that are deemed to meet the criteria of higher corporate priority and/or risk should be progressed.
 - All bids need to reflect full costs including purchase costs and a level of fees as appropriate.
 - Bids need to include all lifetime revenue implications e.g., maintenance, management costs and potential income.
 - The Capital Programme is set with regard to the key themes as outlined in the Corporate Plan.
 - The Capital Programme proposals should maximise the availability of resources to address the Council's priorities; and

- Only bids that are for specific schemes will be included into the Capital Programme, general bids will not be included. This will help to reduce the slippage within the programme.

Risk

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

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

Corporate Priority

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

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

Future Generations Act

4.8 Bids are also reviewed for the contribution they make towards the 5 ways of working to demonstrate commitment to the Well-being of Future Generations Act.

Each scheme is awarded one point for every one of the outcomes that it meets to a maximum of 5.

Sustainability

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

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

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

5. Treasury Management

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

Treasury Management Governance

- 5.4 Before 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 Decisions on Treasury Management are made daily and therefore delegation is given to the Section 151 Officer. Under the Council Constitution delegated authority has been granted to the Section 151 Officer to: -
- Take all Executive decisions on borrowing, investment, or financing in accordance with the Council's Treasury Management policy.
 - To borrow and lend money to maintain the Council's bank balance within the overdraft limit agreed with the Council's bankers.
 - The use of supported and unsupported borrowing; and
 - The amount of money to be charged to revenue, above the minimum required, relating to the repayment of debt, and to finance capital expenditure.

Borrowing Strategy

- 5.6 The Council is currently maintaining an under borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and

cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

- 5.7 Capital expenditure will be funded from a mixture of internal and external borrowing. The Council had a balance of internal borrowing of £44.328M as at 31st March 2022, with external borrowing at that point being £153.347M. The balance of the Authority's usable reserves and working capital can be utilised for internal borrowing or investment. As these reserves start to be spent over the coming years in line with forecasts, the position will need to be monitored carefully and the level of external borrowing will increase. The Council's Treasury Management advisors, Link Asset Services, state that given the current, low investment yields, internal borrowing should be utilised, however, given the current rising PWLB rates and Bank rate this approach will be kept under review. The Treasury Management Strategy outlines the sources the Council can borrow from, but borrowing would usually be from the Public Works Loan Board (PWLB).
- 5.8 The UK Government announced plans to lift the HRA borrowing cap and agreed for the cap to be fully abolished in Wales. This agreement came into force from 29th October 2018, additional HRA indicators are required to be completed annually and submitted to WG.

Prudential Indicators

- 5.9 In setting the Capital Programme, the Council must ensure that the Prudential Code is complied with, which has been developed by CIPFA as a professional code of practice.
- 5.10 To comply capital investment plans should be :-
- Affordable.
 - All external borrowing and long-term liabilities are within a prudent and sustainable level; and
 - Treasury management decisions are taken in accordance with good professional practice.
- 5.11 To demonstrate the Council has fulfilled these objectives, the Code sets out prudential indicators that should be used and the factors that must be considered.

Capital Expenditure

- 5.12 A five year capital programme has been proposed covering 2023/24 to 2027/28 as shown in the following table.

Capital Expenditure	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Learning & Skills	36,697	6,981	1,000	2,750	3,435
Social Services	595	1,067	725	100	100
City Deal	2,506	1,835	2,594	0	0
Environment	12,830	3,685	2,260	2,260	2,260
Place	4,039	1,753	1,605	1,605	1,605
Resources	1,130	766	1,419	1,919	1,819
Pipeline Schemes	1,152	19,370	39,138	17,177	0
HRA	45,019	40,755	35,257	23,746	22,034
Total	103,968	76,212	83,998	49,557	31,253

Capital Financing Requirement

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

CFR at 31st March	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Non HRA CFR	122,133	128,416	137,596	136,812	135,360
HRA CFR	92,034	117,388	138,050	146,637	152,449
Total CFR	214,167	245,804	275,646	283,449	287,809

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

Gross External Debt	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Brought forward 1 April	151,334	177,544	216,122	248,647	256,844
Carried forward 31 March	177,544	216,122	248,647	256,844	261,149
In Year Requirement	26,210	38,578	32,525	8,197	4,305

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

Affordable Borrowing Limits

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

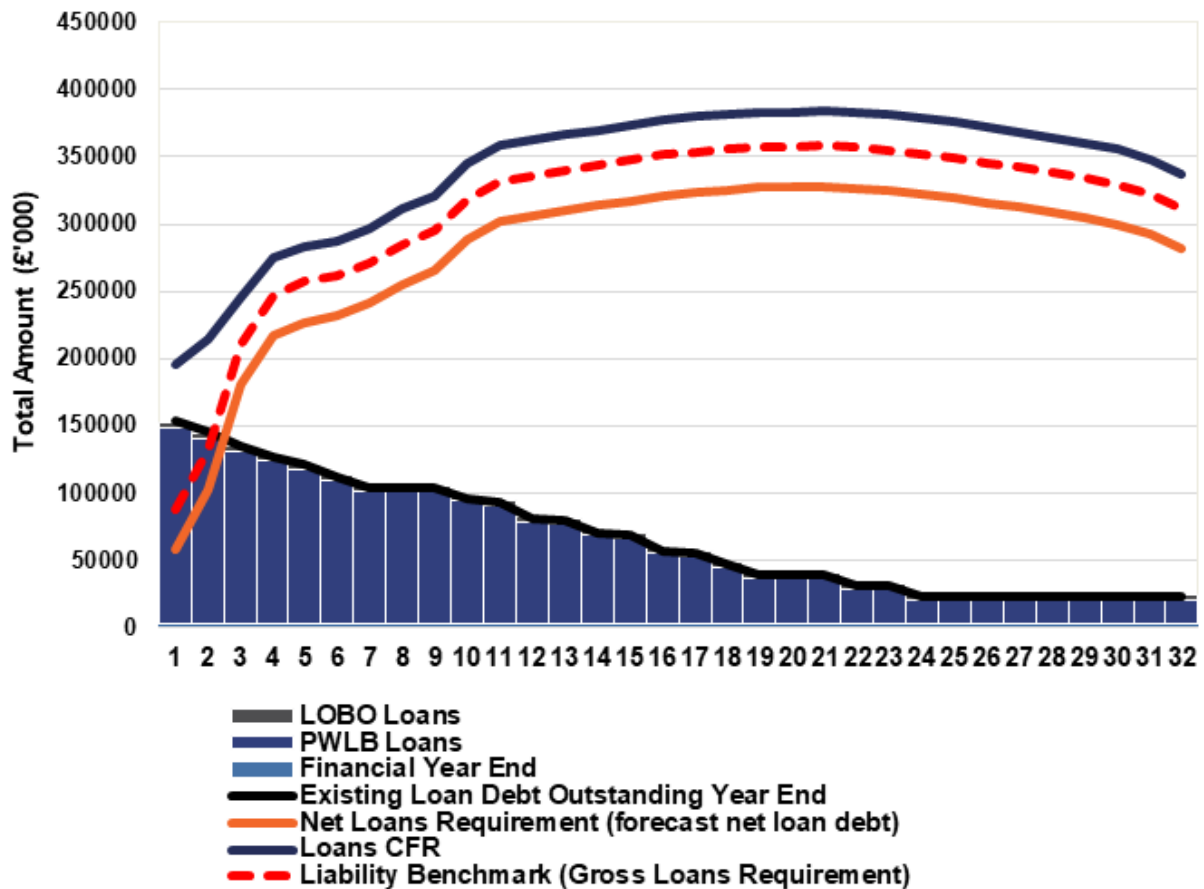
5.17 The proposed Operational Boundary for external debt is based upon estimates of the most likely, prudent, but not worst case scenario. The Operational Boundary links to the authority's plans for capital expenditure, estimates of capital financing requirement and the estimate of cashflow requirements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

Operational Boundary	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Borrowing	234,021	263,349	292,295	303,293	306,878
Other long term liabilities	0	0	0	0	0
Total	234,021	263,349	292,295	303,293	306,878

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

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

Vale of Glamorgan Liability Benchmark



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

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

5.21 From year two onwards the chart shows that external borrowing falls below the Council's Capital Financing Requirement. For as long as usable reserve balances

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

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

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

Authorised Limit	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Borrowing	247,141	276,773	305,927	317,138	320,940
Other long term liabilities	0	0	0	0	0
Total	247,141	276,773	305,927	317,138	320,940

Minimum Revenue Provision (MRP)

5.24 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge which is known as the Minimum Revenue Provision (MRP). Additional voluntary payments can also be made above this level. The MRP can be calculated in a variety of ways. Welsh Government regulations have been issued which require the full Council to approve an MRP Statement in advance of each year and this is achieved as part of the Treasury Management Strategy.

5.25 The Council's method for calculating MRP differs depending on whether the borrowing is supported or unsupported. For supported capital expenditure the Council will implement the "Asset Life Method". MRP will be determined by charging the expenditure over the expected useful life of the average asset lives (40 years) of the (Non HRA) Council Assets in equal instalments, starting in the year after the asset becomes operational.

5.26 MRP will be charged at 2% of the outstanding Housing Revenue Account (HRA) Capital Financing Requirement in respect of housing assets. For debt incurred from 2021/22 onwards the HRA will move to an Asset Life method (50 years) for calculating the Minimum Revenue Provision.

5.27 For unsupported capital expenditure incurred after 31st March 2008, the Council will also implement the "Asset Life method". MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational.

5.28 Further detail is contained in the Council's Treasury Management and Investment Strategy for 2023/24, which is on the same agenda as this report.

Investment Strategy

5.29 The Council's Investment Strategy is low risk, the priorities being security first, portfolio liquidity second and then yield (return). The Investment Strategy sets criteria to determine suitable organisations with which cash may be invested and limits on the amount of cash that may be invested with any one organisation. In 2022/23 the Council has placed investments with the Debt Management Account Deposit Facility (DMADF) of the Bank of England and UK Treasury Bills which are guaranteed by the UK Government, with UK Local Authorities (including Police and Fire Authorities), in Money Market Funds, in Instant Access Accounts and in Corporate Notice Accounts. The Council may consider the use of other deposit arrangements in accordance with the investment limits and counterparties set out within this strategy will continually review the financial stability of all parties with whom it places investments.

5.30 The Council will seek to maintain a minimum £30M investment balance in addition to any working capital surplus during the period. Investments across the portfolio as at 31st December 2022 totalled £77.120M.

IFRS 16 Leasing

5.31 The CIPFA LAASAC Local Authority Accounting Code Board has deferred implementation of IFRS16 which deals with the way the Council accounts for its lease arrangements until 1st April 2024, the 2024/25 financial year. The revised accounting code requires significant changes for how the Council accounts for contracts that convey the right of use of an asset for a period of time. Whereas the Council currently accounts for all its lessee lease arrangements through revenue income and expenditure, under the new arrangement the Council will be required to calculate a right of use asset and a corresponding liability which will be included on its balance sheet. The liability will increase the Council's CFR and the Council will need to charge MRP which will in practice be equivalent to the principal of the lease. Despite the extensive accounting requirements and disclosures, this change of accounting policy will not impact the bottom line of the accounts. It will however have an impact on the Prudential indicators and MRP estimates included in this Strategy. The Council continues to undertake an assessment of the likely right of use assets and liabilities associated with the Council's leases and embedded lease arrangements is currently being undertaken and it is intended that revised indicators will be incorporate and reported as part of the 2024/25 strategy.

6. Decarbonisation

- 6.1 The Council understands the importance of decarbonisation to help protect and sustain the Environment over the long term and in line with its Climate Emergency declaration is working and investing in measures to reduce its CO2 emissions. The projects detailed below reflect the work the Council is undertaking as part of Project Zero and commitments in the Council's Climate Challenge Plan. The Plan details eighteen challenges including transport, planning and regeneration, our land and buildings, housing and schools.
- 6.2 The Council is carrying out the following measures to take steps towards decarbonisation:
- 6.3 The Council has continued to improve the energy efficiency of its housing stock to meet the requirements of Welsh Government legislation in relation to decarbonisation and the Welsh Housing Quality Standard (WHQS). With original targets being set to reduce the carbon footprint by 80% by 2030 this has now been revised to a target of EPC A by 2030 for all social homes following the recommendations of the "Better Homes, Better Wales, Better World" report in July 2019. Revised targets were agreed by the Senedd in March 2021 for Wales to achieve 'net zero' by 2050.
- 6.4 The Sustainable Communities for Learning programme is committed to contributing to the decarbonisation agenda. Prior to Welsh Government's declaration that all new schools would be Net Zero Carbon, the Sustainable Communities for Learning programme was delivering carbon reduction measures as part of its projects. To ensure the programme can continue to deliver net zero carbon schools following the Welsh Government announcement in November 2021, the Council has produced a Sustainability Framework and identified the following key processes and enabling structures to ensure the programme can deliver low and net zero carbon school buildings:
- Project structure and contractual process.
 - Soft Landings and Commissioning
 - Performance in Use measurement
 - Operational management and measurement
- 6.5 Welsh Government announced in November 2021 that all new school projects within the Sustainable Communities for Learning Programme will be required to meet net zero carbon (in operation) from January 2022 onwards. This excluded projects which had already received Outline Business Case approval at the time of the announcement. Following this announcement Welsh Government committed to fund 100% of all net zero carbon costs on projects within Band B of the programme. The Council has created a net zero carbon in operation school building model which has built upon the low carbon model previously implemented on projects in Band B. South Point Primary School was the first project in the Authority and in Wales to achieve net zero carbon in operation. This design supports the Welsh Government's Low Carbon Delivery Plan and achieving a net-zero public sector by 2030. To achieve net zero school designs have been amended to maximise solar gain, improve insulation, increase use of renewables (including battery storage), and install air source heat pumps. Following the

implementation of the net zero carbon school model at South Point Primary, the model has been implemented on all new schemes including Cowbridge School Primary building, Centre for Learning and Wellbeing (Derw Newydd) and St Nicholas CiW Primary School which are all currently under construction. There is an additional cost associated with the delivery of net zero carbon. The uplift in costs range between £500,000 to £1,000,000 for new primary schools depending upon the scale of the development. Although these costs are currently 100% funded by Welsh Government, no further commitment has been announced to cover these costs outside of Band B of the Sustainable Communities for Learning Programme. Therefore, the costs associated with net zero will be kept under review to ensure market changes are monitored and factored in for potential projects that will likely come forward outside of Band B, in case the Welsh Government commitment is not extended.

- 6.6 The Council has organised a decarbonisation sub-group to drive the reduction of carbon emissions as part of the Sustainable Communities for Learning Programme and wider Education investments. This group has created a Sustainable Building Project - Materials Elements to monitor costs for carbon reduction measures, undertaking a school energy review to identify where carbon reduction measures would be of most benefit and the costs required to implement the measures and a Schools Sustainability Forward Plan has been created to help direct progress on carbon reduction measures which focuses on the following key themes: Energy, Community Benefits, Ecology and Transportation. A report has been developed recommending target areas for improvements - including potential funding requirements.
- 6.7 During 2022/23, PV panels have been installed at Evenlode Primary School, Ysgol Gwaun Y Nant and Llansannor Primary School. The PV systems installed to date on other buildings have been proven to be reliable generators of renewable electricity and are a proven technology towards the Council's net zero goal.
- 6.8 A School's Decarbonisation LED scheme has been included in the 2022/23 Capital Programme. The scheme has provided LED Lighting in Peterston Super Ely CIW and Rhws Primary schools. This scheme will improve the learning environment for the children and will be a small contribution towards net zero by reducing the carbon emissions of lighting the schools.
- 6.9 Decarbonisation Programme - A variety of energy reduction measures and renewable energy installations have been identified across several assets within the council's portfolio. A delivery programme which complements the Welsh government zero carbon by 2030 target and the councils own Climate Emergency Declaration is being prepared which will lever in as much funding as possible from various external sources including Salix funding. £650K has been included in the 2023/24 Capital Programme, £500K from reserves and £150K from the Salix Recyclable funding. Schemes totalling the value of £274K have been identified including:
- Penarth Learning Community 3G Pitch LED
 - Dinas Powys Junior LED
 - Community Enterprise Centre, Holmview LED
 - Alps Garages LED

- Pen y Garth Primary LED
- Cogan Primary PV
- Llangan Primary PV
- Ty Dewi Sant Residential Home PV

- 6.10 The schemes have been presented to and approved by the Project Zero Board and £376K remains unallocated within the programme. Internal discussions are ongoing to allocate the remaining budget.
- 6.11 The Council has been working with the Welsh Government Energy Service, Carbon Trust and Energy Saving Trust to evaluate the integration of electric vehicles into the pool car fleet and the best methods and specifications for the charging infrastructure. The report's conclusions and recommendations show that electric vehicles can be used to pick up over 90% of the Council's pool car journeys if implemented correctly. Other than the savings in CO₂ and fuel costs, the switch to EV is driven by Welsh Government policy. The Council has a duty under the current Welsh Government Carbon reduction Plan Prosperity for All: A Low Carbon Plan which states: "All new cars and light goods vehicles in the Public Sector fleet are ultra low emission by 2025 and where practicably possible, all heavy goods are ultra-low emission by 2030".
- 6.12 In 2021/22 a grant was awarded to the Council by Energy Services Wales (through Welsh Government) to cover the difference in cost between a diesel and electric vehicles, which accelerated the transition process and allowed the Council to purchase 12 electric vehicles which will sit within the pool car fleet. The grant was match funded by the Council using ring fenced reserves.
- 6.13 These 12 vehicles, Hyundai e-Kona's, have replaced at least 12 of the current diesel vehicles. Further additions of electric pool cars will be undertaken as Energy Service Wales make further grant available or other funding becomes available.
- 6.14 Plans to increase the number of public electric vehicle charging points are being progressed as part of funding accessed through Cardiff Capital Region, with a number of key sites including council owned car parks.
- 6.15 The Council's fleet and workplace charging is also being addressed with the installation of 80 charging points at the Alps, Civic Offices and four park sites.
- 6.16 £3.389M has been built into the Capital Programme (600K in 2022/23 and £2.789M in 2023/24) for the Atlantic Trading Estate Fleet Parking scheme, this scheme is to develop land on Atlantic Trading Estate (ATE), Barry to accommodate Neighbourhood Services operations Waste and Recycling collection vehicles.
- 6.17 The proposal to develop fleet parking on Atlantic Trading Estate (ATE) opposite the Council's Resource Recovery Facility (Currently under construction) would reduce the daily impact that the collection fleet has on the environment, in terms of tailpipe emissions as well as increasing the productivity of the service, giving more productive time spent kerbside collecting. In terms of carbon saving, the difference is fuel use between the projected collection rounds (including the proposed rounds for the final rollout phase for blueprint collections) and rounds modified to account for the ATE development and shown in table 1 below:

Total Fuel Use - Litres			
Collection	Proposed – Garaging at Wenvoe	Proposed – Garaging at ATE	Difference
Recycling	109,174	100,296	8,878
Residual	72,063	64,412	7,651
Green Waste	61,287	54,371	6,916
Total	242,524	219,079	23,445

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

Total emissions – Tonnes CO _{2e}			
Collection	Proposed – Garaging at Wenvoe	Proposed – Garaging at ATE	Difference
Recycling	274	252	22
Residual	181	162	19
Green Waste	154	137	17
Total	609	551	58

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

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

6.21 Barry Leisure Centre Boilers – Barry Leisure Centre already benefits from a combined heat and power unit (CHP) which generates electricity whilst contributing to the heating demand at the property which was installed in 2011. This has been a very successful addition to the building and has lowered the buildings running costs. Following identification that the main boilers were inefficient and had regular maintenance issues, a scheme has been delivered with more efficient boilers and better controls.

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

- Energy Management Reserve – This reserve includes the Salix recyclable fund but also includes energy management income.
- Project Zero and Green Infrastructure Reserve - Any spends committed from reserve has to be approved by the Project Zero Board.
- Energy Pressures Reserve

6.23 Projected reserve balances are given in the table below:

Reserve	March 2023 £'000	March 2024 £'000	March 2025 £'000	March 2026 £'000	March 2027 £'000
Energy Management Reserve	70	7	77	171	262
Project Zero and Green Infrastructure Reserve	1,736	1,636	1,536	1,436	1,336
Energy Pressures Reserve	4,134	1,234	34	34	34

6.24 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.

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

6.26 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.

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

7. Commercial Activities

- 7.1 The Prudential Code has expressed concern that an authority's approach to commercial activities should be proportional to its overall resources.

Big Fresh Catering Company

- 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

Investment and Growth Fund

- 7.3 The Council currently has no other material commercial activity however it is looking to explore proportionate commercial opportunities as appropriate. The Investment and Growth Fund can be used for schemes where robust business cases are brought forward. This reserve currently has a projected balance of £2.233M as at 31st March 2024 and £2.2M is ringfenced for the Non Treasury Investment Strategy. The Council recognises that investment in other financial assets and property primarily for financial return, taken for non treasury management purposes, requires careful investment management. Such activity includes loans, supporting service outcomes, investments in subsidiaries and investment property portfolios. The Council will ensure that all the organisation's investments of this nature are covered in the capital strategy, investment strategy or equivalent and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non treasury investments.

8. Other Long Term Liabilities

- 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 (approval sought on this Cabinet Agenda) 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 takes into account the capital bidding process and sustainability considerations.

Programme Monitoring

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

Performance Indicators

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

Performance Management Framework

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

Knowledge and Skills

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

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

9.10 The Accountancy Section has a range of professionally qualified staff in key positions who are involved in Capital and Treasury Management roles. They have had many years local government experience including the Head of Finance (CIPFA over 30 years), Operational Manager Accountancy (CIPFA Over 10 years), Finance Support Manager (CIPFA over 6 years), Capital Accountant (ACCA 2 years) and Senior Accountancy Technician (AAT over 30 years).

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

the Codes of Practice are implanted and adhered to and were appointed to deliver the Treasury Management induction training for new Members in June.

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

10. Environmental, Social & Governance (ESG)

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

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

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

11. Risks to the Strategy

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

Risk Strategy

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

Resource Risks

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

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

Treasury Management Risks

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

Expenditure Risks

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

- 11.7 The uncertainty created by the exit from the European Union also brings risk to the cost of future capital schemes as there may be changes to the value of contracts due to staffing issues and the terms of trading with European suppliers. Also, any legislative changes could affect the procurement of goods and services and also may affect the service provision regulations e.g., waste, environmental issues, which may have an impact on assets.
- 11.8 The COVID-19 pandemic has made delivering capital schemes more problematic with contractors having to introduce new ways of working to ensure social distancing and also with disruption to supply chains. This situation is likely to continue in the short term and could result in increased costs in delivering capital schemes.
- 11.9 In the current economic climate capital schemes are encountering significant inflationary pressures on construction costs which can necessitate scheme re-engineering or re-tendering. Project officers are also reporting long lead time on the delivery of materials and a shortage of skills in some areas. This impact will be monitored closely as part of the regular monitoring arrangements with project managers and sponsors.

Mitigating Risk

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

DMO. The Council also introduced the use of deposit accounts with Lloyds Bank (the Council's bankers) up to a maximum value of £10M. These arrangements will be kept under review in consultation with Link Asset Managers the Council's Treasury Management Advisers.

11.15 The Council has not undertaken any material commercial activities.

12. Capital Strategy Key Issues and Recommendations

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

Priority Areas for Capital Spend

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

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

To work with and for our communities
<ul style="list-style-type: none"> • Sustainable Communities for Learning programme
<ul style="list-style-type: none"> • Transforming Towns Place Making Grant
<ul style="list-style-type: none"> • Highways improvement
<ul style="list-style-type: none"> • Building Stronger Communities
To support learning, employment and sustainable economic growth
<ul style="list-style-type: none"> • Sustainable Communities for Learning programme
<ul style="list-style-type: none"> • Cardiff Capital Region City Deal
<ul style="list-style-type: none"> • Transforming Towns Place Making Grant
To support people at home and in their community
<ul style="list-style-type: none"> • Maintenance of WHQS in Council houses
<ul style="list-style-type: none"> • Building new homes in the Vale for social rent
<ul style="list-style-type: none"> • Disabled Facilities Grants
<ul style="list-style-type: none"> • Investment in Leisure Centres
To respect, enhance and enjoy our environment
<ul style="list-style-type: none"> • Supporting decarbonisation as part of the Sustainable Communities for Learning Programme.
<ul style="list-style-type: none"> • Investment in Electric Pool Cars and charging points
<ul style="list-style-type: none"> • Investing in the introduction of LED street lighting
<ul style="list-style-type: none"> • Carbon Management reduction using SALIX
<ul style="list-style-type: none"> • Revised Waste collection service and new Transfer Station
Council Wide
<ul style="list-style-type: none"> • Implementation of ICT and Digital Strategy
<ul style="list-style-type: none"> • Ensuring properties are fit for purpose for delivering services
<ul style="list-style-type: none"> • Requirements of external factors such as legislation changes

Closing the Funding Gap

- 12.4 Condition surveys have recently been completed for all Schools, based on these it is estimated that capital investment of circa £25M to 30M is required over the next 5 years to finance such work. In the near future 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 five years and this is estimated to require capital investment of circa £20M to £30M. Any reduction in resources in the future will restrict the number and size of capital schemes that the Council is able to fund. It can be seen that there is significant requirement for capital investment which will not be possible to fund. This includes the backlog of school, highway and buildings repairs which in time could expand beyond issues associated with repairs and maintenance to those of 'fit for purpose' considerations. This risk will have to be managed and funding identified as a priority for service critical works.
- 12.5 A significant sum in the Capital Programme relates to Asset Renewal items which may be viewed as essential areas of spend if the existing portfolio of Council assets, including its infrastructure, is to be maintained to even a basic level to prevent further deterioration.
- 12.6 The Council will continue to assess its assets to identify whether any are surplus and can achieve a capital receipt. Certain properties have already been identified where the receipt will be used to fund the Band B Sustainable Communities for Learning Programme.
- 12.7 Where possible the Council will try to identify grant funding and will strive to provide match funding if the grant can be used to finance Council priorities.
- 12.8 The Council has previously undertaken unsupported borrowing for investment in Schools, vehicles, Housing stock and the Cardiff Capital Region City Deal. This decision has been taken after a full assessment of the affordability of taking on such debt and as part of a full business plan. The Council could consider using unsupported borrowing to close the future funding gap, however, given the expected reduction in revenue budgets the potential for servicing debt not funded by Welsh Government from existing revenue budget going forward is extremely limited. The Council will therefore need to ensure that capital spending plans are affordable and decisions do not place additional pressure on the level of Council Tax or the Medium Term Financial Plan.

Longer Term Planning

- 12.9 The Council's current Corporate Plan covers the period 2020 to 2025.
- 12.10 For major projects and investment that cover a longer-term period the funding and financial implications need to be planned well in advance. Long term planning has been undertaken for projects such as the Housing Business Plan, the Sustainable Communities for Learning programme and the Cardiff Capital Region City Deal which all cover a longer term need for investment.

12.11 Long term forecasts are not easily predicted and the accuracy of all financial estimates will be limited however it is an invaluable tool in consideration future issues and anticipating the necessary requirements. It will also allow time for funding to be identified for key priorities and projects.

Actions

12.12 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.

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

CAPITAL STRATEGY ACTION POINTS
Setting the Capital Programme
<ul style="list-style-type: none"> • Only capital bids that are deemed to meet the criteria of highest corporate priority and/or risk should be progressed. • Robust project appraisal and understanding of full life costs and risk are required for large capital investment.
Review Process
<ul style="list-style-type: none"> • Maintain comprehensive and robust procedures for managing and monitoring the Capital Programme. • Continue to review the Corporate and Service Asset Management Plans. • Update Condition Survey data to ensure the Council is fully aware of future commitments. • The Council will strive to reduce carbon emissions and improve energy efficiency and positively encourage waste reduction initiatives. • 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. • Ensure staff involved in the capital and Treasury Management process and the delivery of capital projects have the relevant experience and training. • Ensure members involved in the capital and Treasury Management process receive relevant training.

Maximising Capital Funding

- | |
|---|
| <ul style="list-style-type: none">• Maximising grant-funding opportunities for capital schemes, where such schemes are compatible with Council objectives. |
| <ul style="list-style-type: none">• 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. |
| <ul style="list-style-type: none">• 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. |
| <ul style="list-style-type: none">• Use of reserves where appropriate to finance capital investment. |
| <ul style="list-style-type: none">• Develop partnerships with the public and private sectors as a means of unlocking additional resources. |
| <ul style="list-style-type: none">• Provide support for invest to save initiatives where it is appropriate. |

Schemes	2023/24		2024/25		2025/26		2026/27		2027/28		Comments
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Learning and Skills	13,430	36,697	3,079	6,981	1,000	1,000	1,000	2,750	1,000	3,435	
Social Services	595	595	1,067	1,067	725	725	100	100	100	100	
Environment	11,837	12,830	3,685	3,685	2,260	2,260	2,260	2,260	2,260	2,260	
HRA	34,380	45,019	34,426	40,755	29,895	35,257	18,373	23,746	16,661	22,034	
Place	3,713	4,039	1,691	1,753	1,605	1,605	1,605	1,605	1,605	1,605	
Resources	1,130	1,130	766	766	1,419	1,419	1,919	1,919	1,819	1,819	
City Deal	2,506	2,506	1,835	1,835	2,594	2,594	0	0	0	0	
Pipeline Schemes	1,152	1,152	3,966	19,370	8,693	39,138	511	17,177	0	0	
TOTAL CAPITAL PROGRAMME	68,743	103,968	50,515	76,212	48,191	83,998	25,768	49,557	23,445	31,253	

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

	Net £000	Gross £000		General £000	SS £000	Ed £000
Resources from Welsh Government			Balance as at 31st March 2022	7,333	1,339	3,173
Supported Borrowing - General Fund	3,452	3,452				
General Capital Grant	3,545	3,545	Anticipated Required in 2022/23	-2,365	0	-596
			Anticipated Receipt in 2022/23	850	0	0
Total Resources from Welsh Government	6,997	6,997	Balance as at 31st March 2023	5,818	1,339	2,577
			Anticipated Required in 2023/24	-3,541	0	-3,392
Other Available Resources			Anticipated Receipt in 2023/24	0	0	815
General Fund Revenue/Reserves	16,797	16,797	Balance as at 31st March 2024	2,277	1,339	0
Housing Reserves/Revenue	17,187	17,187				
Housing Capital Receipts	0	0	Anticipated Required in 2024/25	-281	0	-300
Education Capital Receipts	3,392	3,392	Anticipated Receipt in 2024/25	213	0	300
General Fund Capital Receipts	3,541	3,541	Balance as at 31st March 2025	2,209	1,339	0
S106	0	6,815				
Other External Grants	0	25,637	Anticipated Required in 2025/26	-1,280	0	0
Major Repairs Allowance	0	2,773	Anticipated Receipt in 2025/26	0	0	0
Unsupported (Prudential) Borrowing	20,221	20,221	Balance as at 31st March 2026	929	1,339	0
City Deal Borrowing	608	608				
TOTAL RESOURCES	68,743	103,968	Anticipated Required in 2026/27	-155	0	0
			Anticipated Receipt in 2026/27	0	0	0
			Balance as at 31st March 2027	774	1,339	0
			Anticipated Required in 2027/28	-155	0	-1,000
			Anticipated Receipt in 2027/28	1,000	0	1,000
			Balance as at 31st March 2028	1,619	1,339	0

Schemes	2023/24		2024/25		2025/26		2026/27		2027/28		Comments	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
HRA												
Housing Improvement Programme												
Total Housing Improvement Programme	34,380	45,019	34,426	40,755	29,895	35,257	18,373	23,746	16,661	22,034	Slippage approved in Delegated Authority November 2022	
Place												
Barry Regeneration Partnership Project Fund	989	1,075	300	300	300	300	300	300	300	300	Requested slippage of £689K at Cabinet on the 3rd November 2022. Requested slippage of £86k at Cabinet on the 19th January 2023.	
Access Improvement Grant	0	62	0	62	0	0	0	0	0	0		
Slippage												
Cosmeston Work Programme - Lodge	120	120	0	0	0	0	0	0	0	0	0	Requested at Cabinet 6th October 2022
Country Parks ANPR	200	200	0	0	0	0	0	0	0	0	0	Requested at Cabinet 6th October 2022
BSC2	657	657	0	0	0	0	0	0	0	0	0	Requested at Cabinet 6th October 2022 and the 19th January 2023.
2021/22 and 2022/23 Capital Bids												
Cosmeston Works Programme	157	157	0	0	0	0	0	0	0	0	0	
Empty Homes Grant	85	85	85	85	0	0	0	0	0	0	0	Match funding element
S106 Slippage												
Murchfield Community Sports Facilities	0	178	0	0	0	0	0	0	0	0	0	Requested at Cabinet 3rd November 2022.
Private Sector Housing												
Disabled Facility Grants	1,500	1,500	1,306	1,306	1,305	1,305	1,305	1,305	1,305	1,305	1,305	Requested to be reprofiled at Cabinet 6th October 2022
Penarth Renewal Area	5	5	0	0	0	0	0	0	0	0	0	Slippage requested at Cabinet 19th January 2023.
Total Place	3,713	4,039	1,691	1,753	1,605	1,605	1,605	1,605	1,605	1,605	1,605	
Resources												
Building Strong Communities Fund (CASH Grants)	30	30	30	30	30	30	30	30	30	30	30	
All Services Asset Renewal	0	0	36	36	839	839	1,339	1,339	1,339	1,339	1,339	
Decarbonisation Scheme	376	376	250	250	250	250	250	250	250	250	250	
Penarth Learning Community 3G Pitch LED	40	40	0	0	0	0	0	0	0	0	0	
Dinas Powys Junior LED	52	52	0	0	0	0	0	0	0	0	0	
Community Enterprise Centre, Holmview LED	17	17	0	0	0	0	0	0	0	0	0	
Alps Garages LED	20	20	0	0	0	0	0	0	0	0	0	
Pen y Garth Primary LED	40	40	0	0	0	0	0	0	0	0	0	
Cogan Primary PV	35	35	0	0	0	0	0	0	0	0	0	
Llangan Primary PV	35	35	0	0	0	0	0	0	0	0	0	
Ty Dewi Sant Residential Home PV	35	35	0	0	0	0	0	0	0	0	0	
2022/23 Capital Bids												
Ash die back and Replanting Programme	100	100	100	100	100	100	100	100	0	0	0	
ICT Schemes												
ICT allocation	0	0	0	0	200	200	200	200	200	200	200	Future years IT projects.
2023/24 Capital Bids												
Edge Switching	350	350	350	350	0	0	0	0	0	0	0	
Total Resources	1,130	1,130	766	766	1,419	1,419	1,919	1,919	1,819	1,819	1,819	

Schemes	2023/24		2024/25		2025/26		2026/27		2027/28		Comments
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
City Deal											
City Deal	2,506	2,506	1,835	1,835	2,594	2,594	0	0	0	0	
Total City Deal	2,506	2,506	1,835	1,835	2,594	2,594	0	0	0	0	
Pipeline Schemes											
St Richard Gwyn Redevelopment	572	572	2,084	15,427	5,259	31,719	90	13,855	0	0	
Extension to Cowbridge Primary Phase 2 Changing Rooms, Ancillary facilities and replacement boxing club at the Buttrills playing field	430	430	532	2,593	3,434	7,419	421	3,322	0	0	
	150	150	1,350	1,350	0	0	0	0	0	0	
Total Pipeline Schemes	1,152	1,152	3,966	19,370	8,693	39,138	511	17,177	0	0	
Total Value of Capital Programme	68,743	103,968	50,515	76,212	48,191	83,998	25,768	49,557	23,445	31,253	