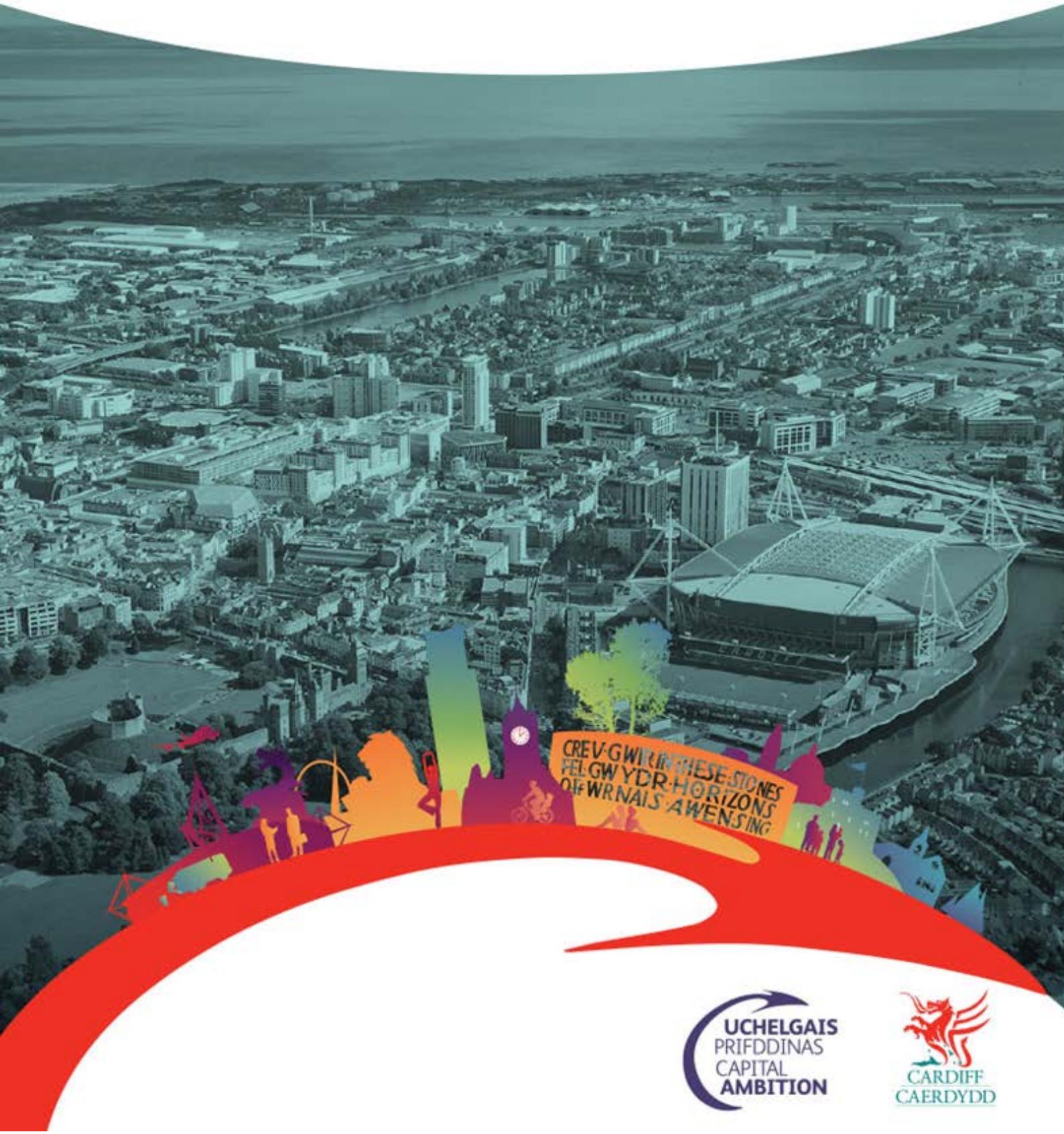


# Capital Strategy

2021/22

Cardiff Council



# Delivering Capital Ambition

In July 2017, the Cabinet approved ‘Capital Ambition’, a five year policy programme which set out the Administration’s principles, priorities and ambitions for the city. This has been updated with the Administration’s priorities and commitments for the remainder of the municipal term.

These commitments prioritise maintaining momentum in city regeneration and economic development, tackling inequality and inclusive growth, responding to the climate emergency and public service reform. The policy agenda now also includes, in response to the public health crisis and its consequent economic impact, a programme of work to support recovery and successfully reposition Cardiff as a successful global city over the longer term.

Progressing this ambitious agenda will require capital investment if the administration is to deliver on its major commitments. This would include investment in new schools and in modernising school buildings, delivering a significant house building programme and

enabling the continued regeneration of the city’s business and transport infrastructure.

It is therefore crucial that, when long term investment decisions are undertaken, decision makers can rely on clear and informed information. This would include:

- A long term view of capital expenditure plans and any financial risks to which the Council is exposed.
- Ensuring due regard to the long term financing, affordability implications and potential risks.
- A clear overview of the Council’s asset management planning arrangements and any maintenance requirements that have resource and business planning implications.

The Capital Strategy will therefore continue to help support informed decision making in the delivery of Capital Ambition.



# Strategic Context

As the capital city of Wales, Cardiff is the commercial, cultural and retail driver of Wales. It has been one of the fastest growing cities in the UK, with this growth set to continue.

Whilst the city has driven jobs creation across Wales over the last 5 years, the impact of the Covid-19 pandemic has been significant on the economy. Unemployment has doubled since January 2020, with a clear need for the Council to play a role in supporting people and businesses during what forecasts anticipate to be a period of significant economic contraction.

Other challenges still endure. The rapid population growth has required more school placements and social care provision whilst placing pressure on housing and the city's transport infrastructure and environment.

Capital Ambition identifies the opportunities facing the city and sets out the response to challenges. This is not just a consideration of how challenges are responded to, but it is also

about investing in future economic growth and development, prioritising investment in schools, affordable housing, tackling homelessness, and protecting the city's most vulnerable people. It sets out the approach for tackling congestion and air pollution, improving recycling rates and keeping our streets clean, along with a series of commitments to respond to the climate emergency, to create opportunities for local people and addressing inequality. All these capital projects will play an important role in supporting, and accelerating the Council's work in responding to Covid-19 and leading the recovery.

Where Capital Investment is needed to deliver the administration's priorities, in responding to these issues, the Capital Strategy is a framework that the Council can rely on to develop a clear, consistent and informed process in undertaking capital investment decisions.

## Working for the future

- Support the implementation of the Council's new Low-Carbon Fuels Strategy and promote the roll-out of electric Council vehicles
- Invest in a new fully segregated safe cycling network across the city by 2022
- Develop and deliver a Metro and Strategic Transport programme of public transport and highway network improvements
- Establish a private wire connection for the Solar Farm at Lamby Way
- Continue to invest in our parks and green spaces which have acted as havens for many communities during the pandemic
- Working with the transport sector to support buses and taxis to achieve the Welsh Government's target of "Zero Tailpipe" by 2028.
- Finalise the delivery contract for the Cardiff Heat Network and begin construction by December 2021
- Deliver the 'One Planet Cardiff' Strategy
- Ambition to become a Carbon Neutral City by 2030

## Working for Cardiff

- Aim to Achieve recognition as a Unicef Child Friendly City by the end of 2021
- Deliver enhancements to the school estate through a programme of asset renewal and target investment in schools that require priority action
- Deliver the new schemes in accordance with the Band B 21<sup>st</sup> Century School Programme of school investment between April 2019 and 2026
- Invest in digital infrastructure, equipment and new learning technologies for schools
- Deliver the Older Persons Housing Strategy to support independent living
- Progressing plans for Youth Hubs
- Working in partnership with Welsh Water to bring the Llanishen Reservoir site back into use for sailing and other recreational purposes.
- Implement full assessment of needs for single homeless people via the new Assessment Centre
- Working with partners in order to bring forward overarching proposals for increasing Cardiff's tree canopy as part of the One Planet Cardiff strategy

## Capital Ambition

## Working for public services

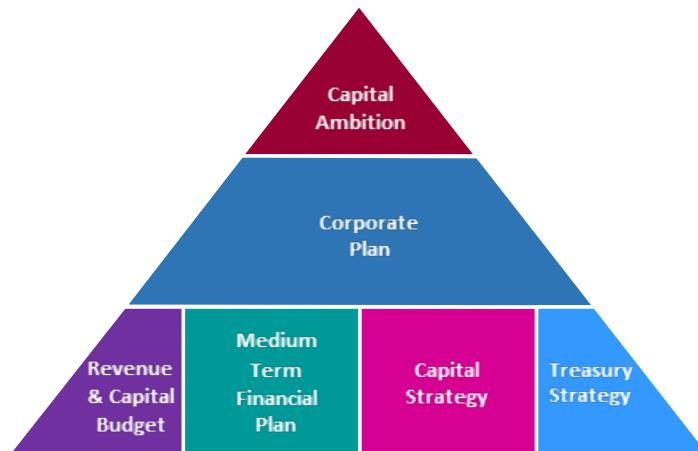
- In partnership with major public services and other city partners, delivering the Test, Trace & Protect Service
- Ensuring our buildings and schools are 'Covid Safe'
- Building strong partnerships at the local, regional and national level
- Increasing the number of citizens accessing Council services via digital channels each year
- Develop an agile working strategy for the Council and increasing the number of devices that enable mobile working
- Developing a plan to secure investment into the Council's historic assets including City Hall by December 2021
- Strengthen how we recruit to make sure that the Council's workforce better reflects the communities we serve

## Working for Wales

- Support the completion of Capital Quarter and the next phase of regeneration of Callaghan Square
- Finalise the masterplan for the Canal Quarter to transform the eastern edge of the city centre
- Progress a strategy for the next phase of development of the International Sports Village
- Bringing forward proposals to protect and revitalise historic buildings in the Bay.
- Consider development and investment opportunities for St David's Hall
- Delivering the new 15,000-capacity Multi-Purpose Indoor Arena by 2024
- Working with City Deal partners, the private sector and the University Health Board to explore proposals for the creation of a Science Park Campus at Coryton
- Progress the development of Metro Central

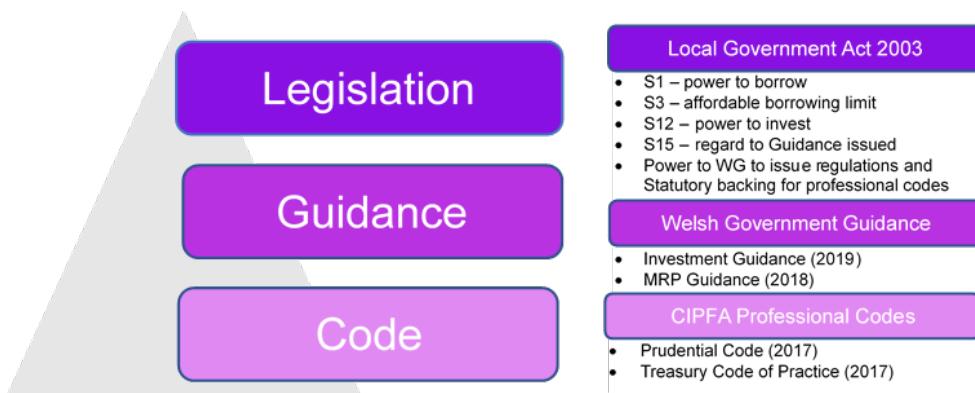
# Capital Strategy Framework

The Capital Strategy is an integral part of the Council's Strategic and Financial Planning Framework.



In 2004, local authorities were provided with the flexibility to make their own capital investment decisions. Legislation, guidance and professional codes of practice were introduced to support decision making and ensure investment and borrowing is Prudent, Sustainable and Affordable. The Council has

complied with these principles since their introduction and in various updates. Consultation is taking place on further updates and strengthening of the CIPFA Professional Codes, which will be included in further updates to this strategy.



The Capital Strategy sets out the Council's approach to:

- working with partners
- asset management planning
- risk appetite
- governance and decision making
- capital investment in 2021/22 and indicatively to 2025/26
- funding the strategy
- managing the borrowing requirement
- prudent Minimum Revenue Provision (MRP) Policy for repayment of capital expenditure
- affordability.

The remainder of this strategy considers these in more detail. The Strategy forms an integral part of the Budget report and it is recognised that there are various strategy developments that need to take place over the medium term as part of new regulatory requirements and as mitigations to financial resilience risk.

The Section 151 Officer is required to report, in the Budget Report, on the deliverability, affordability and risk associated with the Capital Strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.

## Working with Partners

Delivering investment across the city to meet the ambition to create a greener, fairer and stronger capital city and its role as the economic driver for the wider region and Welsh context needs a strategic approach with the private and public sector. This is particularly relevant given the financial challenges faced by the Council.

The significant re-invention of the city over the years has been driven by the private sector and without this much of the investment seen over the past few years would not have happened.

The Council works closely with regional, local authority partners in the Cardiff Capital Region, with partners in the Great Western Gateway and also as part of the UK Core Cities Group nationally. Within the city the Council has significant partnerships with other public sector bodies via informal or formal boards such as the Public Sector Service Board, Registered Social Housing Landlords, charities, universities and colleges to support the delivery of services for its residents, communities and businesses.

The Council will continue to work with Welsh Government to align key priorities and to make a case for a much longer term and sustained approach to capital investment that not only supports the city's vital infrastructure, but also projects that can make a stepped change in helping to drive the recovery of the city, region and nation forward.

The Council will continue to use its enabling role to harness skills and private funding, in order to take forward capital investment to deliver improvements and inclusive growth which would not otherwise be deliverable or affordable. It will set out its vision and co-ordinate activity between business and government bodies to develop a more productive and innovative platform for investment in the city. This will include during 2021/22 the feasibility of a joint venture agreement to deliver economic regeneration and development in respect to transportation improvements.



# Asset Management Planning

The Council has responsibility for assets used in service delivery including property, highway infrastructure (roads, footpaths, structures, lighting) and Council dwellings. It is essential to understand the need, utilisation, condition and the investment and operating cost requirements of assets, whether owned or leased.

The Council's historic retained interests in land assets in various parts of the city has been an enabler in its ability to support development of key capital projects in the city. The Council also has a track record of acquiring significant assets on the basis of future regeneration projects or to secure strategic options. It is recognised that the acquisition of new assets such as land could gain or lose value in the intervening period. However the overarching aim of the Council is to release the value in the asset once the regeneration has been completed and such benefits are wider than only to make a financial return.

When prioritising investment it is essential to understand the long term cost of maintaining and operating existing assets and their fitness for purpose, having consideration of which are deemed essential in continued service delivery or which can be considered for alternative uses. The backlog of maintenance in some key assets is recognised and alternative approaches to longer term solutions will be considered to address the risks this poses rather than continued investment by the

Council in the same assets. This is neither an effective asset management approach nor affordable in the long term. These will be considerations in key assets such as schools and administrative buildings required for the long term.

Approved Asset Management Plans are in place for property assets including dwellings that demonstrate the Council's stewardship of assets. A disposal strategy is also to be updated in 2021 to relinquish or find alternative beneficial uses for assets deemed surplus to requirements. This includes using property effectively across the Council by using suitable sites for the building of affordable Council housing.

The Council has set up a number of working groups that aim to provide assurance to Cabinet by embedding strategic asset management activity as a corporate activity. This covers activities such as property asset management, housing delivery and school organisation planning and for major transport projects.

During 2021/22, Cabinet will consider development of plans for Highways and other infrastructure assets as well as updates on property asset management plans already developed.



# Risk Appetite

In undertaking complex projects, decision making needs to be supported by proportionate business cases in line with best practice covering strategic, economic, financial, commercial and management cases. For large complex projects, professional external advice and services would be sourced to undertake due diligence to understand risks and inform decision making.

Capital investment to be undertaken can be broadly split into three types:

1. Expenditure on **existing assets** to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
2. Expenditure on **creation of new assets, specific projects or non treasury investments to meet strategic aims**. Non treasury investment to meet service or Council obligations could include loans or equity towards capital expenditure incurred by external bodies, Council subsidiaries or joint ventures.
3. Expenditure on **non treasury investments purely to maximise financial return on assets and generate revenue income**. Examples of this are the purchase of commercial investment property, or to provide loans to others at commercial rates solely for a financial return.

In respect of 1 and 2, the Council recognises that achieving these aims will require consideration of alternative delivery structures and of all forms of funding including additional borrowing. Financial austerity has had a significant impact on affordability, however taking the city forward is not just a consideration of how we manage decline. Capital investment funded by borrowing will be undertaken in priority areas to meet Capital Ambition, whilst at all times clearly understanding how the affordability of such expenditure can be managed over the longer term supported by robust due diligence, business cases, risk management and monitoring.

In respect of 3, the Council generated revenue income of circa £4.2 million in 2019/20 from existing commercial investment property

landholdings, the income being used to support the delivery of services.

These holdings stem from historic interests of land, managed in accordance with an Investment Property Strategy approved by Cabinet. The aim is to review existing land holdings, maximise yield from the existing estate, remove liabilities, and secure future sustainable income streams by acquiring new sites that would support economic regeneration in the city. Acquisitions are funded by proceeds of existing investment property, the value of which was circa £125 million as at 31<sup>st</sup> March 2020.

The Council is mindful of a recent HM Treasury consultation and subsequent restrictions on borrowing from the PWLB solely for commercial yield. The income receivable from the commercial property portfolio to support the revenue budget is not deemed to be a financial resilience risk in terms of being 'unproportionate' to the Council's overall income. This will be an ongoing consideration where expenditure on the types non treasury investments identified previously are proposed, including development of any limits and indicators to determine any risk to proportionality.

The Council in 2019/20 secured the site of the Red Dragon Centre for circa £58.4 million as an enabler for a wider masterplan for the Atlantic Wharf Regeneration. Revenue income receivable is circa £3m p.a with any surpluses generated reinvested into the delivery of the overall project rather than being used to support the ongoing delivery of Council services.

Non treasury investment funded by additional borrowing would only be undertaken after:

- Cabinet approval of a robust business case supported by independent advice
- Consideration of the legal basis on which the expenditure is being incurred
- Affordability and risk assessment of such expenditure over the longer term

During 2021/22, the Council will review its approach and guidance in respect of business cases and including effectiveness of governance for projects where there is deemed to be a significant financial resilience or operational risk exposure.

# Governance and Decision Making

The Council has robust processes in place to approve, manage and monitor capital projects arising from the Capital Strategy.

## **Prioritisation, Capacity and Skills**

Following consideration of resources and affordability, capital expenditure requirements are prioritised on the following basis:

- Firstly, to meet expenditure on Annual Sum requirements, to meet expenditure on mandatory grants and for the renewal of existing assets such as property, parks and highways.
- Secondly, to meet expenditure on schemes previously approved by Cabinet which have been committed to, either contractually or in principal years and where following a review, these are still deemed essential to proceed.
- Thirdly, new expenditure proposed after consideration of:
  - link to strategic objectives
  - risk of not undertaking the expenditure
  - statutory / legislative requirements
  - financial implications and affordability
  - review of relevant business cases.

To support prioritisation and to avoid slippage and potentially unanticipated additional costs, the Council will need to ensure access to sufficient skills and capacity both within the Council and externally in order to deliver the investment programme. Such capacity could be project management and development skills; technical and design skills, knowledge, availability of contractors as well as wider market factors.

## **Defining Capital Expenditure**

The Council has determined criteria and eligibility for capitalisation and it is important, despite pressures on revenue budgets, that only acceptable costs are charged as capital expenditure. Any internal recharges of costs

should be evidence based and regularly reviewed. Advice would need to be sought where relevant and eligibility is reviewed by Wales Audit as part of the external audit of the Council's accounts and external grants.

## **Constitution, Procurement and Value for Money**

The Council's Procurement Strategy ensures that the principles and practices associated with procuring works, goods and services consistently achieve value-for-money and actively contribute to the Council's priority outcomes. The Strategy, and the Council's Socially Responsible Procurement Policy aims to ensure that procurement becomes sufficiently flexible and agile to support the Council to operate in an efficient, compliant and ethical manner to deliver capital projects on time, on budget and to specified quality standards with contractors supporting the delivery of wider community benefits.

Procurement considers third party spend across budgets and taking opportunities to consolidate and aggregate spend and achieve economies of scale are a key focus.

The Council recognises the benefits of utilising regional, joint and local framework arrangements where they can demonstrate value for money and compliance with the Council's Procurement Strategy objectives.

The Council's process and authority for the acquisition and disposal of land or property is set out in the Constitution. Transactions over £1 million are required to be approved by Cabinet as part of a business case with all transactions to be verified by a valuation.

## **Approval, Monitoring and Reporting the Capital Programme**

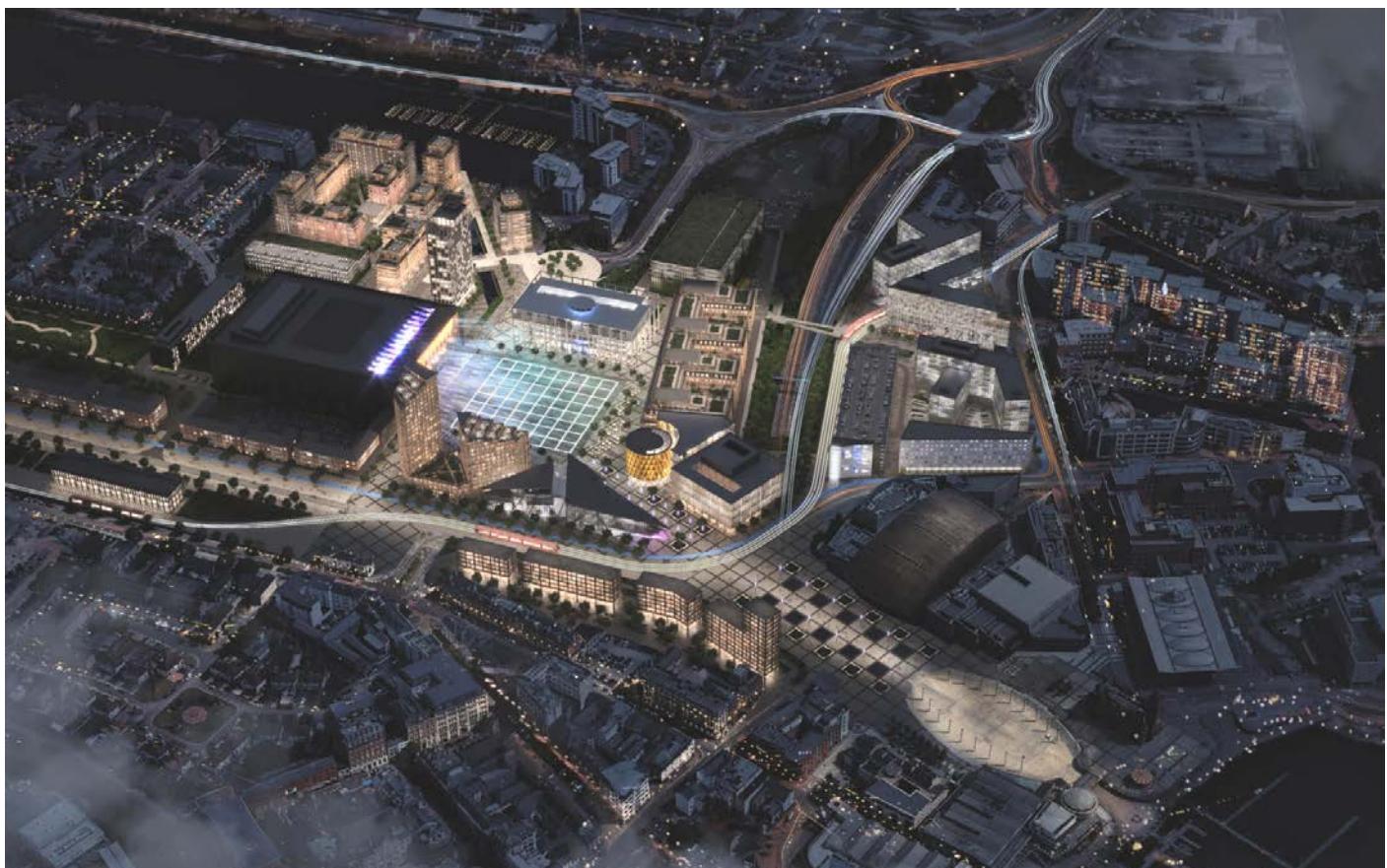
The Capital Strategy informs the Council's capital investment programme and Treasury Management Strategy. This integration is one of the reasons why it is deemed that full Council should continue to consider and approve the affordability of the Capital Strategy and detailed programme as part of the Council's budget proposals recommended by Cabinet.

## Governance and Decision Making

Council approves the capital investment programme having consideration of CIPFA's Prudential and Treasury Management Code indicators highlighting the impact of capital decisions on the revenue budget and affordability, prudence and sustainability.

Directorates are responsible for monitoring capital schemes, and the reporting of progress in delivering the Capital Programme periodically to Cabinet as part of the Council's Budget Monitoring and final outturn reports. The reports include:

- Forecast expenditure during the year on schemes
- The stage at which projects are in terms of timescale and any issues resulting in delay
- Changes in funding available for schemes
- Any cost increases and how they are being managed
- Virements or other changes required in accordance with the Council's Constitution.



# Capital Investment Programme 2021/22 to 2025/26

The Capital Programme is a five year rolling programme, initially set for 2021/22 and on an indicative basis for four years thereafter. It has been profiled in accordance with technical advice relating to regulatory processes, timetables and work plans.

The proposed Capital Programme for future years is summarised in the following table.

In comparison, actual capital expenditure in 2019/20 was £165 million (£123 million General Fund, £42 million HRA). Projected capital expenditure in 2020/21 is £158 million (£100 million General Fund, £58 million HRA).

The detailed five year Capital Programme proposed is included at the end of this Annex.

	Indicator					
	Capital Programme Expenditure					
	2021/22* £000	2022/23 Indicative £000	2023/24 Indicative £000	2024/25 Indicative £000	2025/26 Indicative £000	Total £000
Annual Sums Expenditure	26,121	21,282	18,940	17,515	17,815	101,673
Ongoing Schemes	36,199	59,211	27,059	1,899	225	124,593
New Capital Schemes (Exc ITS)	3,035	7,625	11,700	6,650	5,650	34,660
Schemes Funded by External Grants and Contributions	56,627	24,278	42,464	77,231	33,479	234,079
Invest to Save (ITS) / Earn Schemes	35,631	138,936	170,874	17,250	11,776	374,467
<b>Total General Fund</b>	<b>157,613</b>	<b>251,332</b>	<b>271,037</b>	<b>120,545</b>	<b>68,945</b>	<b>869,472</b>
<b>Total Public Housing (HRA)</b>	<b>86,740</b>	<b>117,685</b>	<b>91,350</b>	<b>70,350</b>	<b>51,240</b>	<b>417,365</b>
<b>Total Capital Programme</b>	<b>244,353</b>	<b>369,017</b>	<b>362,387</b>	<b>190,895</b>	<b>120,185</b>	<b>1,286,837</b>

\* Includes slippage estimated at Month 9. The final slippage figure, which will be known at outturn, will be reflected in the Month 4 2021/22 budget monitoring report.

The detailed programme includes

- Annual sums such as disabled adaptations and expenditure to improve existing assets such as infrastructure and property.
- Allocations for previous commitments.
- New capital investment proposed in year.
- Assumptions for known external grants and contributions, which are in most cases subject to a bid process.
- Projects proposed on the basis of revenue savings, revenue income or other sources of retained income to repay initial investment over time, including new schemes approved in 2021/22, subject to business case.
- The Housing Revenue Account programme, with a focus new Council homes to meet demand for affordable housing

Subject to Council approval, the final tranche of viability support (£6.6 million) to allow Cardiff Bus to implement that part of its Turnaround Strategy relating to fleet investment and

strengthening the balance sheet will be released.

The budget report also provides an update on the Indoor Arena, prior to a Final Business Case in summer 2021. The proposed programme includes enabling costs and subject to due diligence, direct funding of the arena construction by the Council as an alternative for third party funding. This will be fully funded by annual lease income from the Arena Operator.

The Council is also continuing to develop a number of strategic projects, which, subject to approval of business cases, due diligence and affordability may be considered for approval as part of future iterations of the detailed investment programme. These include projects arising from the Transport White Paper including Metro; Atlantic Wharf Masterplan; Core Office Strategy; 21<sup>st</sup> Century Schools and responding to the climate emergency.

# Funding the Strategy

The Council has several funding streams available to support capital investment. The resources assumed to pay for the five year capital investment programme from 2021/22 are set out in a table at the end of this Annex.

## Cash Resources to pay for Capital Investment

These include:

- Non ring-fenced grants i.e. for use on Council determined priorities. These include General Capital Grant and Major Repair Allowance received from Welsh Government.
- Ring-fenced grants to achieve a particular outcome and therefore with restricted use as specified by the funder. The main source of external grant is from WG, which in most cases follows an application or bidding process for schemes or distribution of grants on a formula basis. The short term nature of grant awards makes long term planning and delivery of strategic schemes very difficult. Where external grant funding bids are made, it is essential that these are in line with Council priorities and include consideration of any revenue budget consequences. Where grants require match funding, the Council will prioritise such support to increase the likelihood of a successful bid.
- External Contributions from planning agreements or other sources. Large housing development sites as part of the Council's Local Development Plan will also impact on the city's infrastructure. Developer agreements either in place or to be determined will aim to mitigate impacts such as affordable housing, school capacity, open space and public transport infrastructure, subject to the planning process. Where contributions are being requested, sufficiency to achieve the required outcomes should be considered along with the any revenue budget implications. The Finance section collates the profiling of sums received, over future years.

- Revenue budgets and earmarked reserves held and modelled specifically to support the affordability of capital investment.
- Capital receipts arising from the disposal of Council assets. The Council's approach to receipts is as follows:
  - Prioritise receipts required to meet the balance of the £40 million target for General Fund Capital Receipts (net of fees), assumed in the 2018/19 – 2022/23 Capital Programme and any additional targets set in subsequent years.
  - Use of receipts in excess of this target to be considered to reduce the level of debt.
  - Where an asset has been funded specifically from prudential borrowing, any receipt arising from it would be utilised to reduce expenditure not yet paid for.
  - To limit the earmarking of capital receipts only for capital expenditure essential to secure a disposal, to meet the terms and conditions of a grant, where approved by Cabinet as ring-fenced for specific projects or strategies, or where required to be ring-fenced by legislation.

Where Cabinet approve land to be appropriated between the General Fund and Housing Revenue Account, this is to be at a valuation certified by a registered valuer with the decision delegated to the Corporate Director Resources.

The actual realisation and timing of capital receipts can be uncertain given the number of variable factors involved. In order to take this into account, a Capital Programme that includes assumptions on significant levels of capital receipts needs to be supported by a clear, approved strategy for the realisation and timing of such receipts. To do otherwise would be a significant risk to the Council's borrowing requirement and future revenue budget pressures.

# Funding the Strategy

In respect to the £40 million capital receipts target and the subsequent £1 million increase to this target in 2019/20, £6.9 million was raised by 31 March 2020 and £2 million is assumed receivable in 2020/21, subject to timing of disposals. The approach to meet the balance of £32.1m is to be updated in the Corporate Property Strategy to be considered by Cabinet in June 2021 including the key areas of disposal that will be considered.

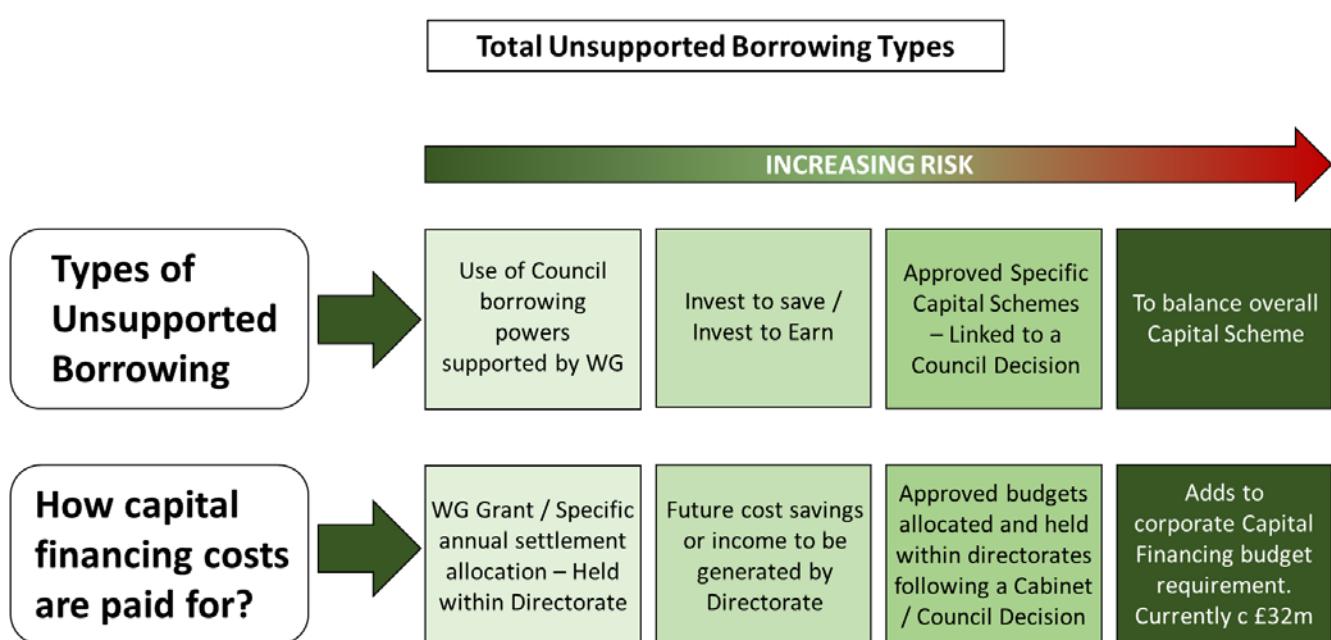
Progress in delivering receipts will be reported periodically to the Asset Management Board and as part of the Council's budget monitoring reporting process.

## Borrowing to pay for Capital Investment

There are currently no nationally imposed restrictions to the quantum of borrowing that can be undertaken to pay for capital investment.

The Council approves its own affordable borrowing limit as part of the Local Government Act 2003 and this is set at a level consistent with the programme of capital investment proposed. There are two main types of borrowing to pay for capital investment which form part of the Council's borrowing requirement and is managed as part of the Treasury Management Strategy:

- 'Supported Borrowing' - costs of servicing are included within the annual Revenue Support Grant (RSG) the Council receives from Welsh Government.
- 'Unsupported Borrowing' - costs of servicing to be met from Council tax, rent, savings, additional income or sale of assets. The types of unsupported borrowing typically undertaken by the Council and how capital financing costs are paid for are shown below.



Welsh Government itself has been utilising and considering different options to meet the cost of investment, primarily by utilising the ability of local authorities to borrow.

This includes schemes such as:

- Local Government Borrowing Initiative for highways and schools and potentially for coastal erosion.
- Providing interest free loans using Financial Flexibility Funding available to them for a range of schemes deemed repayable from

future income or enhancements in land value.

Whilst welcome where there is linkage to the strategic aims of Cardiff Council, these present an ongoing risk to the Council as all risk of expenditure remains with the Council and WG require all funding to be paid back in full in future years.

The Council is currently exploring alternative funding options for the new Arena, including

## Funding the Strategy

'Direct Funding' of the Arena utilising PWLB or other financial instruments. This would be at no direct cost to the Council though as any costs of

'Direct Funding' would be matched or exceeded by annual lease income receivable by the Arena operator. A decision on the preferred funding mechanism will be made by Cabinet as part of the approval of a final business case (FBC) in summer 2021.

The Council will consider the risks and benefits of new school investment proposed by Welsh Government as part of its Mutual Investment Model (MIM) for 21<sup>st</sup> Century Schools. This is where new schools could be built under a Public Private Partnership arrangement and Councils will be required to pay a revenue charge per annum for use of the asset over a defined period to which the Welsh Government would contribute a fixed percentage.

The Council will also explore with Welsh Government the development of a Tax Increment Finance pilot, a means of unlocking development value through investing in

infrastructure, assumed to be paid for from anticipated future business rates.

In assessing alternative income sources proposed to pay for investment funded by borrowing, the long term risks, sustainability and responsibility for them would need to be clearly understood. This is together with lessons learnt where similar schemes have been introduced elsewhere. Robust business cases and due diligence is essential.

### Leasing

Lease obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning and delivering such assets itself. In consideration of new accounting requirements from 2022/23, the Council will undertake a data gathering exercise to understand materiality and the detailed financial implications.



# Managing the Borrowing Requirement

The Council's Treasury Management Strategy considers how the cash requirements arising from the Council's Capital Strategy and detailed investment programme are managed by external borrowing and the timing of any such borrowing. This is delegated to the Section 151 Officer. Audit Committee is responsible for seeking assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Where capital expenditure has been incurred without a resource to pay for it i.e. when proposed to be paid for by supported or unsupported borrowing, this will increase what is termed the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed policy. This reduces the CFR. Calculation of the CFR is summarised in the table below and results in the need to borrow money.

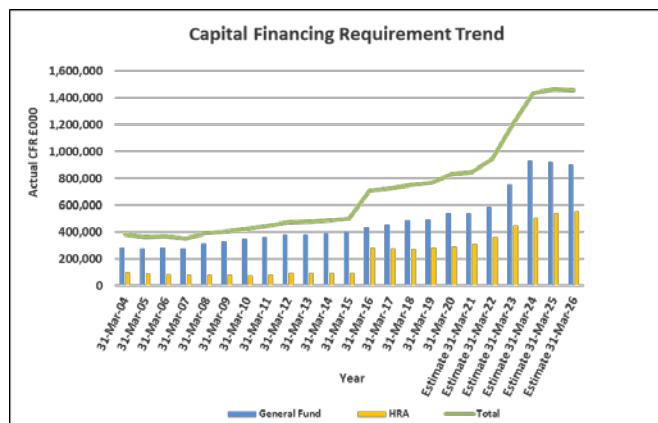
Movement	Opening Capital Financing Requirement (CFR)
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Provision
=	Closing Capital Financing Requirement (CFR)

Future projections of the CFR based on the Capital investment programme and resources deemed available to fund it are shown in the table below.

Forecasts are subject to the timing of capital expenditure and receipt of funding sources.

	Indicator							
	Capital Financing Requirement as at 31 March							
	2020 Actual £m	2021 Estimate £m	2022 Estimate £m	2023 Estimate £m	2024 Estimate £m	2025 Estimate £m	2026 Estimate £m	
General Fund	538	537	584	755	930	920	900	
Housing Revenue Account	290	310	362	449	505	538	555	
<b>Total</b>	<b>828</b>	<b>847</b>	<b>946</b>	<b>1,204</b>	<b>1,435</b>	<b>1,458</b>	<b>1,455</b>	

The chart below shows the trend in the CFR including the Housing Revenue Account.



The latter includes the £187 million payment made from the HRA to HM Treasury to exit the subsidy system in 2015/16 and also future expenditure to create new Council owned affordable housing in accordance with the Housing 30 Year Business Plan. The increase for the general fund relates to previous commitments and new expenditure commitments primarily those assumed to pay for themselves from future income or savings such as the indoor arena, City Deal and the 21<sup>st</sup> century schools financial model.

## Managing the Borrowing Requirement

The Medium Term Financial Plan projections for the General Fund and HRA, include the costs of servicing the respective borrowing requirements. The Treasury Management Strategy addresses how the Council will meet the borrowing requirement including any external borrowing

The Council can consider various debt instruments, with the main source of long term borrowing for local authorities historically being the Public Works Loan Board. Best treasury management practice is that loans are not taken

on a project by project basis. However alternative options will be considered for specific council projects where relevant such as leasing, loans from Welsh Government and bonds where these would allow financing requirements to be met in an efficient manner. Advantages and disadvantages of such products, supported by external advice in respect of different options, would need to be considered including risks, track record and cost of issuance.



# Prudent Minimum Revenue Provision (MRP) Policy Statement

Where capital expenditure is paid for using borrowing, the Council has a statutory duty to charge an amount to future revenue budgets for the eventual repayment of that expenditure. This spreads the cost of capital expenditure incurred now, and historically, to future revenue budgets. Decisions in respect of the allocation of MRP have short, medium and very long term impacts across generations.

Making minimum and any voluntary provision must be considered to be prudent and results in a reduction in the Council's underlying need to borrow known as the Capital Financing Requirement (CFR). Legislation does not define what constitutes a 'prudent provision'. Instead Welsh Government has provided guidance and examples in order to interpret that term.

A statement on the Council's policy for its annual MRP is required to be submitted to Council for approval before the start of the financial year to which the provision will relate.

The previous approach to MRP on supported borrowing was based on a reducing balance basis. This was tested and reviewed during 2019/20 and a change in approach adopted whereby current and future generations who make use of assets, will pay an equal and consistent amount of MRP and there is a defined point at which debt will be fully provided.

The reduction in revenue resources as a result of the change is proposed to be continued to be made available to strengthen the Local Authority's financial resilience in respect of capital and treasury, through a Treasury Management Reserve.

*It is proposed that the Council's MRP Policy to apply for 2021/22 and for future years is as follows, with any change in the level, timing and method of provision in year delegated to the Section 151 Officer:*

- *Council expenditure undertaken based on 'supported borrowing' approved by WG is to be provided for on a straight line basis over 45 years.*

- *HRA supported borrowing, which was part of the previous housing subsidy system is to be provided for at 2% on a straight line basis. MRP on the significant £187 million settlement buyout payment is to be on 2% straight line basis as a minimum.*
- *Additional borrowing for a general increase in investment either in the Council Fund or HRA to balance the Capital Programme in a year is to be provided for on a straight line basis over the estimated average life of the assets created.*
- *Any additional expenditure linked to specific schemes e.g. Invest to Save/Earn, 21st Century Schools etc. is to be provided for on a straight line basis, or annuity basis, over the estimated useful life of assets being created or a shorter period as determined by the Section 151 Officer or suggested periods determined by Welsh Government as is the case with the Local Government Borrowing Initiative.*
- *Voluntary revenue provision in excess of the above requirements can be made subject to affordability and following advice of the Section 151 Officer.*
- *Subject to agreement of the S151 Officer, MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases, loan repayments, income) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.*
- *The MRP charged against liabilities under finance leases, or contracts that have the characteristics of finance leases, shall be equal to the principal element of the lease repayment, calculated on an annual basis.*

## Affordability

Capital investment undertaken historically, and the proposed Capital Programme, form an integral part of the Council's revenue budget and Medium Term Financial Plan. The revenue budget impact of capital schemes for Council Tax and Rent payers include:

- The costs of operating / maintaining new assets.
- The capital financing costs of servicing any borrowing required to pay for investment (interest and the Council's approach to making prudent provision for repayment of capital investment paid for by borrowing).
- The revenue costs of preparing and delivering projects.
- Abortive costs required to be charged to revenue budgets if schemes do not proceed.

Some or all costs of that investment may be offset by financial and non-financial benefits such as income, cost avoidance and importantly improved outcomes for residents of the city.

Where capital investment has been undertaken by borrowing, the Council is required to spread the cost of that investment over future year's revenue budgets. This is in accordance with its Policy on Prudent Provision for the Repayment of Capital expenditure which is approved as part of the budget proposals each year.

It is recognised that the Council cannot afford to do everything, however where revenue resources are deemed available to increase the level of Council borrowing, where it needs to do so, this will be considered. The Council's approach to affordability of its capital financing budgets in the medium term are as follows:

- General Fund – Additional investment funded by borrowing over the medium term to be minimised unless in accordance with the principles agreed as part of budget strategy.
- Housing Revenue Account - Increasing over the medium term primarily as a result of implementing Capital Ambition target of new affordable housing. Future rent policy of WG and a robust approach to ensuring viability of new development will be key to affordability.

- Strategic and major development projects – To create specific revenue budget allocations to cover capital financing costs arising from approved business cases.

Prudential indicators and financial resilience indicators included in the Budget Report must be considered in taking a longer term view of affordability, prudence and sustainability.

The percentage of the Council's revenue budget that is committed to capital financing costs is increasing in the long term. Given the pressure on revenue budgets, this clearly limits the affordability of other priorities in future years and must be a factor considered by members when determining the Capital Programme.

The indicator below identifies the trend in the cost of capital financing (excluding the running costs of schemes) as a percentage of net revenue stream. Financing costs include:

- Interest payable on borrowing and receivable on investments
- Penalties or any benefits receivable on early repayment of debt
- Prudent revenue budget provision for repayment of capital expenditure paid for by borrowing
- Reimbursement of borrowing costs from directorates in respect of Invest to Save/Earn schemes.

For the General Fund, the net revenue stream is the amount to be met from non-specific WG grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers and service charges. These are clearly based on future assumptions in respect to Aggregate External Financing, council tax income and housing rents. Any adverse change in these variables may have a significant impact on the outlook for this indicator.

An increasing ratio indicates that a greater proportion of the estimated future revenue budget is required for capital financing costs over the planned Capital Programme period.

Although there may be short term implications, Invest to Save/Earn schemes are intended to be net neutral on the capital financing budget.

## Affordability

However, there are risks that the level of income, savings or capital receipts anticipated from such schemes will be delayed or will not materialise. This would have a detrimental long term consequence on the revenue budget and requires careful monitoring when considering future levels of additional borrowing.

In accordance with the principles of Invest to Save/Earn, the net ratio assumes that any costs of undertaking additional investment are recovered over time from directorate budgets, capital receipts or other budgets.

Accordingly, a gross ratio is also calculated which indicates the gross capital financing cost i.e. it represents a worst case scenario.

The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. An increasing ratio limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of its revenue resources.

Indicator							
Ratio of Financing Costs to Net Revenue Budget Stream							
	2019/20 Actual %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
<b>General Fund – Net Capital Financing Budget</b>	4.77	4.73	4.68	4.81	5.19	5.40	5.34
<b>General Fund – Gross Capital Financing Budget</b>	7.05	6.77	7.27	7.42	8.82	9.76	9.56
<b>Housing Revenue Account (HRA) – Gross Capital Financing Budget</b>	32.97	32.94	33.93	34.09	36.70	38.00	38.53

Two additional local indicators are also produced to support decision making and are shown in the tables below for the period up to 2025/26. The first indicator for the General Fund only shows the ratio of capital financing costs of the Council expressed as a percentage of its controllable budget. This excludes expenditure on levies, Council Tax support and delegated schools budgets.

An increasing percentage indicates that a greater proportion of the controllable budget is required for capital financing costs, which are committed in the long term.

Indicator								
Capital Financing Costs expressed as percentage of Controllable Budget								
	2011/12 Actual %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	Difference 11/12-25/26 %
Net	13.47	11.34	11.00	11.40	12.52	13.11	12.98	(3.64)
Gross	15.17	16.38	17.02	17.51	21.19	23.59	23.13	52.47

## Affordability

The second additional indicator below for the General Fund and HRA highlights the impact of the increasing Capital Financing Requirement (Debt) as a ratio of the Net Revenue Stream. It

is an indicator of financial sustainability and helps to explain the relationship of debt to the resources available to deliver services.

	Indicator							
	Capital Financing Requirement (Debt) as a ratio of the Net Revenue Stream							
	2011/12 Actual %	2019/20 Actual %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
<b>General Fund</b>	0.72	0.86	0.82	0.86	1.09	1.32	1.28	1.23
<b>Housing Revenue Account (HRA)</b>	2.24	3.81	3.90	4.43	5.31	5.59	5.65	5.58

CIPFA is currently consulting on changes to the Prudential Code and further iterations of the Capital Strategy will include any additional indicators recommended.



## References

### Key Documents

Capital Ambition (Cabinet February 2021)

Investment Property Strategy (Cabinet November 2016)

Corporate Land and Property Asset Management Plan (Cabinet February 2018)

Treasury Management Strategy 2021/22 (Council March 2021)

### Image Sources (in order of appearance)

Cover – City aerial view

Silverval Park St Mellons – Cardiff Living Housing Project

Wood Street - Artistic impression

Rhydypennau Hub

Proposed indoor arena, aerial view – Artistic Impression

Fitzalan High School, 21<sup>st</sup> century schools – Artistic impression

Kingsway – Artistic impression

Butetown – Youth Hub

### Attachments to the Capital Strategy 2021/22

Capital Investment Programme 2021/22 - 2025/26

Capital Funding 2021/22 - 2025/26



## Capital Investment Programme 2021/22 - 2025/26

		2021/22 <u>Including Slippage</u> £000	Indicative	Indicative	Indicative	Indicative	Indicative	Total
Annual Sums Expenditure			2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	£000	
1	Disabled Adaptations Grants (see also Public Housing)	To provide adaptations and internal modifications to allow the recipient to live independently within their own home.	5,604	4,550	4,550	4,550	4,550	23,804
2	Owner Occupier Costs - Housing Regeneration	Towards owner occupier costs of improvements to housing and boundary walls as part of public housing regeneration schemes. Includes enabling works to improve energy efficiency in areas eligible for Welsh Government grant funding.	352	280	140	140	140	1,052
3	Alleygating	To prevent anti-social behaviour with other benefits such as reduced street cleansing and highway maintenance costs.	66	50	50	50	50	266
4	Neighbourhood Renewal Schemes (NRS)	Local regeneration schemes based on ward member priorities.	631	550	0	0	0	1,181
5	Schools Property Asset Renewal	To address the condition of the schools property stock within the Council in accordance with Directorate Asset Management plans and priority works arising from surveys. Health and Safety and Additional Learning Needs Strategy.	2,302	2,302	2,815	2,815	2,815	13,049
6	Schools Suitability and Sufficiency	To cater for increasing accessibility issues in schools, to address rising pupil numbers and works required in schools that are not part of the 21st Century Schools programme.	1,040	1,040	1,040	1,040	1,040	5,200
7	Highway Carriageway Reconstruction	Programme to address structural failure, beyond routine repairs.	400	100	0	0	0	500
8	Carriageway Investment	Road resurfacing - Priorities based on annual engineering inspections.	4,850	4,000	3,350	3,350	3,350	18,900
9	Footway Investment	Footway resurfacing including implementation of dropped kerbs - Priorities based on annual engineering inspections.	760	760	755	470	470	3,215
10	Footway Improvements around Highway Trees	To address the condition of tree roots and tree pits on footways.	125	125	125	125	125	625
11	Street Lighting Renewals	To replace and install new street lighting columns including renewal of electrical cabling.	498	1,000	740	270	270	2,778
12	Highway Structures including Bridges	The strengthening or replacement of sub standard bridges, culverts and other highways structures following principal inspection reports.	1,224	1,150	1,100	1,000	1,000	5,474
13	Bus Corridor Improvements	Bus corridor improvements with a focus on securing match funding.	250	335	335	335	335	1,590
14	Road Safety Schemes	Local network improvements including junction and pedestrian safety improvements, with a focus on securing match funding.	335	335	335	335	335	1,675
15	Telematics / Butetown Tunnel	Transportation infrastructure improvements including CCTV systems.	300	300	300	30	330	1,260
16	Transport Grant Match Funding	Match funding for Council bids to Welsh Government for transport schemes.	423	375	375	375	375	1,923
17	Strategic Cycle Network Development	Implementation and match funding of the Cycling Strategy as prioritised in the integrated network map. Installation of cycle parking and network improvements to improve network permeability.	1,612	800	400	400	400	3,612
18	Materials Recycling Facility	Upgrades to minimise downtime at the Materials Recycling Facility.	45	45	45	45	45	225
19	Waste Recycling and Depot Site Infrastructure	Safety improvements at waste management facilities, skip renewal and retaining wall replacement.	0	100	0	0	0	100
20	Non Schools Property Asset Renewal	To address the condition of the non-schools property stock within the Council in accordance with Directorate Asset Management Plans and priority works.	3,685	1,855	1,355	1,355	1,355	9,605
21	Parks Infrastructure	To improve existing parks infrastructure e.g. allotments, hard surfaces, sports fields, parks utilities and outdoor leisure facilities.	140	140	140	140	140	700
22	Play Equipment	Replacement of existing play equipment in parks.	473	90	90	90	90	833
23	ICT Refresh	To replace failing / non compliant hardware for corporate systems.	806	800	700	400	400	3,106
24	Contingency	To address unforeseen pressures in the Capital Programme that arise in year that cannot be managed within existing resources.	200	200	200	200	200	1,000
<b>TOTAL ANNUAL SUMS</b>			<b>26,121</b>	<b>21,282</b>	<b>18,940</b>	<b>17,515</b>	<b>17,815</b>	<b>101,673</b>

## Capital Investment Programme 2021/22 - 2025/26

		2021/22 <u>Including Slippage</u> £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Total £000	
<b>Ongoing Schemes / Amendments to Ongoing Schemes</b>								
25	City Centre Youth Hub	Council contribution to create a multi agency Youth Hub.	329	750	0	0	0	<b>1,079</b>
26	Displacement of 2020/21 Intermediate Care Fund Grant for Hubs	Council funding carried forward for development of Rhiwbina Hub (£270k) and City Centre Youth Hub (£370k).	640	0	0	0	0	<b>640</b>
27	Targeted Regeneration Investment Programme	Match funding towards a three year programme for the region - subject to successful grant awards for individual projects such as Tudor Street Commercial Property and Environmental Improvement scheme.	1,130	0	0	0	0	<b>1,130</b>
28	Children's Services Accommodation Strategy	Balance of proceeds from disposal of 150 Thornhill Road ring-fenced for schemes which provide direct benefit to children.	0	229	0	0	0	<b>229</b>
29	Children Looked After	Development of short stay assessment accommodation for Children looked after as part of the 'Right Home, Right Support' commissioning strategy.	130	0	0	0	0	<b>130</b>
30	Schools Additional Asset Renewal / H&S and Additional Learning Needs (ALN)	Subject to use in 2020/21, the balance of £25 million additional funds allocated for Schools property improvements including those for Health & Safety and Additional Learning Needs .	7,250	10,000	3,000	0	0	<b>20,250</b>
31	Whitchurch High School - Disability Discrimination Act (DDA) and Suitability Works	DDA adaptation works to the school to allow for progression of pupils and to determine longer term Council wide approach to ensuring a permanent solution to accessibility for disabled pupils and condition of facilities.	729	0	0	0	0	<b>729</b>
32	21st Century Schools Band B (assumed from Asset sales)	Part of the Council's match funding towards expenditure funded by Welsh Government Grant. £25m of this is assumed to be from the proceeds of asset sales, with the balance being additional borrowing paid for by revenue budgets identified in the Band B financial model.	0	12,500	12,500	0	0	<b>25,000</b>
33	Millennium Walkway	To complete replacement of the timber surface of the Millennium Walkway which provides a link between Wood Street and Cowbridge Road East and provides access and egress for the Principality Stadium.	1,500	400	0	0	0	<b>1,900</b>
34	City Centre Transport Schemes	Council resources to support the design and implementation of City Centre Transport Improvements along with any approved Welsh Government or other external funding sources.	30	1,259	0	0	0	<b>1,289</b>
35	City Centre Transport Impact - enabling works	Works and smart corridors to mitigate impact of City Centre transportation improvements, being undertaken as part of the Clean Air Direction, in adjacent wards and key routes.	1,500	1,500	1,000	0	0	<b>4,000</b>
36	Western Transport Bus Interchange	To create a public transport interchange in the west of the city as part of the redevelopment of the former Household Waste Recycling Centre.	258	1,100	0	0	0	<b>1,358</b>
37	Cycling Infrastructure (Priority Cycle Routes) - Active Travel	To provide connected routes creating a network for cyclists to safely use and facilitate a significant mode shift from private car to cycling resulting in improved road safety and reducing congestion.	1,000	2,000	1,000	0	0	<b>4,000</b>
38	Bereavement Property Asset Renewal	A segregated property asset renewal allocation for bereavement services from the rest of the property portfolio to allow more of the bereavement reserve to be support the revenue costs of the service and directorate.	45	95	100	105	225	<b>570</b>
39	Coastal Risk Management Programme - construction match funding	A scheme to manage flood and erosion risk at the estuary of the river Rumney, including protection of landfill material, key road infrastructure and the Rover Way travellers site. Subject to design, final business case approval. Welsh Government contribution is assumed in the form of Local Government Borrowing Initiative.	88	920	1,000	0	0	<b>2,008</b>
40	Flooding and Drainage	Match funding for implementation of priority schemes to alleviate flooding, where there is an approved business case and WG grant funding is in place following an application process.	250	250	250	250	0	<b>1,000</b>

## Capital Investment Programme 2021/22 - 2025/26

			2021/22 <u>Including Slippage</u> £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Total £000
41	New Household Recycling and Service Centre	To explore options and any required land acquisition for a new Household Waste Recycling Centre in the North of the city and creation of reuse centre facilities in partnership with the third sector.	0	200	1,650	1,475	0	3,325
42	Waste Recycling and Collection Review	To support implementation of approved options arising from a review of the Recycling Service Strategy that meets current and future targets and aspirations.	815	0	0	0	0	815
43	Indoor Arena Contribution to Delivery (Part)	Council contribution in the form of identified capital receipts towards costs of constructing the indoor arena.	4,300	5,000	0	0	0	9,300
44	International Sports Village (Phase 1)	Reinvestment of proceeds from land sales to kickstart development on sites.	2,000	5,500	0	0	0	7,500
45	Llanrumney Development	A new bridge and road link between the Llanrumney estate and the A48 as part of the East Cardiff Industrial Strategy. Subject to land receipts and a further Cabinet report.	250	2,000	5,250	0	0	7,500
46	Central Square Public Realm	Completion of Central Square public realm following completion of development.	0	342	0	0	0	342
47	James Street Development Strategy - Butetown	Completion of clearance / enabling works prior to an exercise to gauge market interest and secure a disposal or development partner to regenerate the site.	280	0	0	0	0	280
48	Cardiff Indoor Market Restoration	Invest in the fabric of the building to improve appearance, tackle known structural issues and enhance its commercial attractiveness - subject to a successful lottery fund grant award.	69	50	509	69	0	697
49	Community Asset Transfer	To pump prime essential capital improvement works to buildings which local community groups are looking to take over from the Council. Maximum individual award of £25k.	98	0	0	0	0	98
50	Roath Park Dam	Initial estimates of additional costs of the scheme, subject to a report to Cabinet and Implementation of works deemed required as part of the Reservoir Act 1975 following an inspection report and requirements of Natural Resources Wales. Cost is subject to option appraisal, detailed design of recommended option and impact on other features of the park.	50	2,250	450	0	0	2,750
51	Cardiff Riding School	Completion of upgrade to riding surface.	38	0	0	0	0	38
52	Upgrading Council Chamber conference systems	Microphone/webcasting system used for formal meetings needs to be replaced as it is at the end of its life. Proposal for WIFI and upgrades at one location only as well as the acquisition of portable systems and webcasting hardware.	200	0	0	0	0	200
53	Modernising ICT to improve Business processes	Investment in corporate technology projects allowing the Council to make business process improvements and so improve service delivery.	350	350	350	0	0	1,050
54	Cardiff City Transport Services Ltd - Cardiff Bus Support	Second tranche of a financial viability package of support in accordance with a Council report in October 2020.	6,600	0	0	0	0	6,600
55	Cardiff Capital Region City Deal (CCRC)D	Towards Council total commitment of £28.4m over a number of years based on its share of £120m to the Wider Investment Fund - profile based on Dec 2020 five year business plan and subject to progress on projects.	6,270	12,516	0	0	0	18,786
<b>TOTAL ONGOING SCHEMES</b>			<b>36,199</b>	<b>59,211</b>	<b>27,059</b>	<b>1,899</b>	<b>225</b>	<b>124,593</b>

New Capital Schemes/Annual Sums (Excluding Invest to Save)						
56	Additional Disabled Adaptations	To meet future cost as well as increased demand arising from demographic pressures.	0	0	0	450
57	Alleygating	To meet demand for additional gating schemes in line with the Alley Gating Policy and Strategy. This will support in reducing crime and anti-social behaviour as well as Council costs associated with removing fly-tipping, graffiti and debris from rear lanes.	50	50	50	50

## Capital Investment Programme 2021/22 - 2025/26

			2021/22 <u>Including Slippage</u> £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Total £000
58	Neighbourhood, District and Local Centre Regeneration	The current COVID crisis has amplified the importance of local spaces, local shopping and services for communities. Together with a further phase of the Neighbourhood Renewal Scheme, this allocation includes public realm and green space improvements, community safety measures and improved neighbourhood facilities to help communities to adapt and thrive.	250	450	450	450	450	2,050
59	City Centre Youth Hub	Additional Council contribution towards development of the multi agency Youth Hub, subject to a further report to Cabinet.	0	500	0	0	0	500
60	Youth Zone	Subject to land assembly as part of the Investment Property Strategy as well as a business and report to Cabinet, to enter into a development partnership to create a Youth Zone. Any drawdown of this match funding allocation is subject to confirmation of grant funding and operating costs being in place.	0	500	500	0	0	1,000
61	Targeted Regeneration Investment Programme	Further match funding required to meet grant funding requirements as well as to secure additional grant.	200	0	0	0	0	200
62	Children's Respite Provision	Following an assessment of respite services for children at Ty Storrie, to align service provision with the needs of young people.	0	500	750	500	0	1,750
63	Additional Schools Property Asset Renewal	Towards priority works identified from condition surveys.	0	0	5,000	3,000	2,000	10,000
64	Additional Telematics Asset Renewal	Subject to an agreed asset management plan by Cabinet in respective of determining essential and obsolete assets, an allocation towards improving aged traffic signals at junctions, hostile vehicle mitigating bollards, CCTV cameras across city to meet current standards, and Variable Message Signs.	0	0	300	300	300	900
65	City Centre Transport Schemes - Churchill Way Canal	As part of City Centre East highway works, to expose the existing dock feeder canal at the upper end of Churchill Way. The Canal will be delivered as part of the wider transport scheme and will be used to cleanse highway surface water as part of the Sustainable Drainage infrastructure installed with the scheme. Once constructed, the Canal will provide a new public space with seating areas	750	2,250	0	0	0	3,000
66	One Planet Strategy - Small schemes and matchfunding	As well as larger projects included in the strategy, this allocation allows investment in smaller schemes to support the strategy. Priorities for capital expenditure and match funding for external grants to be managed within allocation in accordance with an agreed governance process.	700	500	900	900	900	3,900
67	Additional Non Schools Property Asset Renewal	Towards priority works identified from condition surveys.	0	0	0	500	500	1,000
68	Roath Park Dam	Revised and additional cost estimates of potential solutions deemed required following an options appraisal, with the overall scheme subject to detailed design and Cabinet report during 2021/22.	0	0	2,950	0	0	2,950
69	Teen/Adult Informal Sport and Fitness Facilities	To improve the condition of priority MUGA's, fitness equipment, BMX tracks and skate parks.	200	200	200	200	200	1,000
70	Additional Parks Play Equipment	To increase play equipment annual sums to meet the backlog of maintenance, where Section 106 monies are not available and to ensure continuity of provision.	200	200	200	100	100	800
71	Green Flag Park Infrastructure Renewal	To support the replacement of ageing infrastructure in existing Green Flag parks to support assessment criteria.	100	100	100	100	100	500
72	Combatting Motorcycle Nuisance	To protect park users from the risk which motorcycles present when ridden in a park, with locations prioritised based on recommendations and issues reported to the Council and South Wales Police.	150	0	0	0	0	150

## Capital Investment Programme 2021/22 - 2025/26

			2021/22 <u>Including Slippage</u> £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Total £000
73	Flatholm Island - NLHF Project 'A Walk Through Time'	Match funding for a delivery phase application to the Heritage Grants Scheme in March 2021 for funding over 3 years. Subject to securing external funding the project aims to fund the stabilisation and restoration of its heritage assets for which the Council is responsible.	25	75	100	0	0	200
74	Pentwyn Leisure Centre redevelopment	Subject to a business case to demonstrate expenditure can be repaid and a Cabinet Report, to create a bespoke centre and elite training, fitness and conditioning facility. Total cost of £5m, of which £2 million would be from capital receipts, with £3 million subject to a business case demonstrating that any additional borrowing can be repaid from future income.	0	2,000	0	0	0	2,000
75	Waste Recycling and Depot Site Infrastructure	Depot and Infrastructure renewal programme to ensure the safe and efficient delivery of services.	310	200	200	100	100	910
76	Waste Grants Match funding	To secure waste and recycling related grants e.g. Circular Economy, Ultra Low Emission Vehicle (ULEV) where match funding is a condition of a successful grant award. This will support measures and new innovations to improve recycling performance and meet statutory targets.	100	100	0	0	0	200
77	Corporate ICT Systems	To replace failing/non-compliant hardware for corporate systems in line with asset replacement plan.	0	0	0	0	500	500
<b>TOTAL NEW SCHEMES / ADDITIONAL ANNUAL SUMS</b>						<b>3,035</b>	<b>7,625</b>	<b>11,700</b>
						<b>6,650</b>	<b>5,650</b>	<b>34,660</b>

Schemes funded by Grants and Contributions (Further grants subject to approval of bids)						
78	Targeted Regeneration Investment Programme (WG)	Completion of commercial property improvement scheme - Tudor Road.	119	0	0	0
79	Targeted Regeneration Investment Programme (WG)	Green infrastructure, public realm and transport improvements - Tudor Road.	1,330	0	0	0
80	Enable Grant (WG)	Support for Independent Living and to be used with the Council's allocation for Disabled Facilities adaptations.	436	0	0	0
81	Onsite Construction Skills Hub (Construction Industry Training Board)	Hub to enable individuals to benefit from the onsite construction experience.	110	0	0	0
82	21st Century Schools Band B (WG)	Strategic investment programme for priority schools including land acquisition, funded by Welsh Government grant and subject to approval of individual business cases.	24,330	6,733	39,639	76,530
83	Childcare Capital Grant (WG)	Towards schemes supporting childcare.	480	0	0	0
84	Reducing Infant Class Sizes (WG)	To create the necessary additional space required to deliver the foundation phase in reduced infant size classes. Completion of schemes at St Fagans and St Francis.	1,860	0	0	0
85	CCRCR Grant and matchfunding for Metro + Scheme	City Centre - Eastside grant with the CCRCR allocation current assumed in 2022/23.	475	1,500	0	0
86	Air Quality Direction 2019 - Grant (WG)	For measures including Bus retrofit; Taxi vehicle emissions incentive; City Centre transport and active travel; Implementation management and monitoring.	9,608	7,222	0	0
87	Safe Routes in Communities (WG)	For accessibility and safety improvements to encourage walking and cycling in communities.	750	0	0	0
88	Road Safety Grant (WG)	Towards measures that secure road safety casualty reduction.	175	0	0	0
89	Local Transport Fund (WG)	To develop integrated, effective, accessible, affordable and sustainable transport systems.	2,500	0	0	0

## Capital Investment Programme 2021/22 - 2025/26

		To increase levels of active travel, improve health and well-being, air quality, connect communities and improve active travel access to employment, education and key services, destinations and public transport.	3,500	2021/22	Indicative	Indicative	Indicative	Indicative	Indicative	Total
				Including Slippage £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	£000	£000
90	Active Travel Fund (WG)	To increase levels of active travel, improve health and well-being, air quality, connect communities and improve active travel access to employment, education and key services, destinations and public transport.	3,500	0	0	0	0	0	0	3,500
91	Ultra Low Emission Vehicle Transformation Fund (ULEV)	Electric Vehicle Charging Infrastructure.	150	0	0	0	0	0	0	150
92	Coastal Risk Management Programme - Design Works (WG)	Design works to address flood and erosion risk at the estuary of the river Rumney, including protection of landfill material, key road infrastructure and the Rover Way Travellers Site. Subject to approval of Welsh Government contribution assumed in the form of Local Government Borrowing Initiative.	382	0	0	0	0	0	0	382
93	Cardiff Heat Network (Heat Network Investment Project)	Grant to be provided to Cardiff Heat Network Limited from the Department for Business, Energy & Industrial Strategy Heat Networks Delivery Unit towards the construction of a District Heat Network.	4,000	2,628	0	0	0	0	0	6,628
94	Coed Caerdydd - One planet	Green Canopy Programme submission of grant funding bid	0	50	100	0	0	0	0	150
95	Harbour Authority (WG)	Critical and non critical asset renewal programme.	460	0	0	0	0	0	0	460
96	Planning Gain (S106) and other contributions	Various schemes such as improvements to open space, transportation, public realm and community facilities	5,962	6,145	2,725	701	0	0	0	15,533
<b>TOTAL SCHEMES FUNDED BY GRANTS AND CONTRIBUTIONS (FURTHER GRANTS SUBJECT TO APPROVAL OF BIDS)</b>				<b>56,627</b>	<b>24,278</b>	<b>42,464</b>	<b>77,231</b>	<b>33,479</b>	<b>234,079</b>	

### **Additional borrowing undertaken by the Council to be repaid from revenue savings/income (Invest to Save - Subject to Business Case)**

<b>Existing Schemes</b>							
97	Private Rental Sector Lease Scheme - Loans	Interest free loans of up to £8,000 for the purposes of carrying out works to bring properties up to required standards, prior to entering into a rental agreement with the Council.	300	233	0	0	0
98	21st Century Schools - Band B Financial Model	Strategic investment programme for priority schools including land acquisition, funded by additional borrowing.	4,564	24,527	16,596	0	0
99	Residential Street lighting conversion to LED	The roll out of LED street lighting in residential areas resulting in a reduction in costs, carbon emissions and improved lighting.	3,000	3,533	0	0	0
100	Energy - Salix	Installation of a range of energy efficiency measures (mainly LED lighting replacements) in a range of Council buildings.	500	0	0	0	0
101	Energy - REFIT Buildings	To develop options under the Refit framework with suppliers for a range of energy efficiency measures on a whole building perspective. The contractor guarantees energy savings from the work that it is undertaking over a given period, allowing initial investment to be repaid.	1,300	0	0	0	0
102	Lamby Way Solar Farm	Completion of a private wire connection to the solar farm.	1,300	0	0	0	0
103	Red Dragon Centre	Deferred consideration for acquisition of the site - Subject to registration of a planning application for an indoor arena.	5,724	0	0	0	0
104	Indoor Arena Contribution to Delivery (Part)	Part of £24.3m contribution to support construction of the Arena. This £15m would be paid for from a recurring revenue budget held by major projects. The balance of £9.3m is included in the capital programme, expected to be paid for by earmarked receipts including those due from Central Square.	0	7,500	7,500	0	0
105	Core Office Strategy - Digital Infrastructure	Smarter working, digital infrastructure and building adaptations to allow the relinquishment of Willcox House.	5,300	2,950	0	0	0

## Capital Investment Programme 2021/22 - 2025/26

			2021/22 <u>Including Slippage</u> £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Total £000
106	Leisure Centres - Alternative Service Delivery (ADM)	Balance of commitment to make prudential borrowing available to be repaid as part of the procurement exercise for leisure facilities.	395	0	0	0	0	395
107	Waste Vehicle Replacement - Lease or buy	Setting an overall limit to be able to undertake effective lease versus buy option appraisal for Waste Collection vehicles, as long as revenue budgets are in place and committed to repay initial acquisition costs.	2,798	4,700	4,870	0	0	12,368
108	CCRCRCD - 'Capital expenditure contribution towards Wider Investment Fund in advance of receipt of capital grant'	Council commitment of £48.6m over a number of years towards Wider Investment Fund expenditure in advance of confirmed grant receivable from HM Treasury - profile based on Dec 2020 five year business plan and subject to progress on projects as well as timing of HMT grant.	0	4,471	24,138	13,250	2,776	44,635
109	CCRCRCD - Housing SME Fund	Passporting of loan from Welsh Government given to Cardiff Council towards the CCRCD Housing SME Fund approved by Regional Cabinet. Funds to be recycled into projects until required to be repaid to the Council to return to Welsh Government.	0	4,000	4,000	2,000	0	10,000
110	Invest to Save - Annual Bid Allocation	Capital schemes developed during the year that can pay back the original investment of the scheme either through income generation or savings within a short period of time.	500	500	500	500	500	2,500
<b>New Invest to Save Bids</b>								
111	Supported Living - Learning Disabilities	Subject to a business case and Cabinet report, a pilot scheme to develop accommodation for adults with complex needs that are currently residing in care homes, who have been identified as having the potential to be enabled to progress into supported living schemes.	0	1,000	1,000	0	0	2,000
112	Young Persons Gateway Accommodation	To provide supported accommodation for young people (16-24) to help them live independently whilst still providing intensive 24 hour support. Additional properties are required and while these can be sourced from Council or housing association stock some works will be needed to bring them up to the required standard for shared housing.	250	0	0	0	0	250
113	Right Homes, Right Support Strategy - Residential Provision for Children Looked After	Subject to a business case, to make improvements to the residential offer for Children Looked After by the Council which are currently placed outside of the Council boundaries and with Independent Fostering Agencies. This includes an emergency pop-up unit, an assessment unit, and additional residential places in the city.	500	1,000	0	0	0	1,500
114	Cardiff Heat Network (Loan to CHN Ltd)	Loan from Welsh Government to be provided to Cardiff Heat Network Limited Ltd towards the capital costs arising from the delivery of Phase 1 of the Cardiff Heat Network using waste heat from the Viridor Energy Recovery Facility (the "Project") in a way which de-risks the Project, enabling the delivery of its carbon benefits against a context of relatively high financial risk. Repayable to the Council by CHN Ltd from Heat Revenues over 30 years in line with the business case approved by Cabinet. Loan is repayable by Council to WG, irrespective of the level of income generation.	0	3,872	4,720	0	0	8,592
115	Coastal Risk Management Programme - Construction - WG Local Government Borrowing Initiative	Works to address flood and erosion risk at the estuary of the river Rumney, including protection of landfill material, key road infrastructure and the Rover Way travellers Site. Allocation is subject to Council match funding being in place and approval of Welsh Government contribution assumed in the form of Local Government Borrowing Initiative.	0	2,000	5,000	1,500	0	8,500

## Capital Investment Programme 2021/22 - 2025/26

			2021/22 <u>Including Slippage</u> £000	Indicative 2022/23 £000	Indicative 2023/24 £000	Indicative 2024/25 £000	Indicative 2025/26 £000	Total £000
116	International Sports Village (Phase 2)	Subject to a business case and a report to Cabinet, delivery of a velodrome and clubhouse, a cycle circuit, Toys R Us refurbishment, car parking, highways and public space, repayable from potential operator and rental income.	0	7,500	7,500	0	0	15,000
117	Indoor Arena - Enabling Costs	A further triggering of the affordability envelope towards costs such as Land assembly, the project team and Multi Storey Car Park.	7,700	600	26,000	0	8,500	42,800
118	Indoor Arena - Direct Funding (Replacement for Income Strip Third Party Funding)	Subject to due diligence, it is possible that direct borrowing would deliver better value than an income strip guarantee. Borrowing would be funded by the annual lease income from the arena operator, backed by parent company guarantee.	0	69,050	69,050	0	0	138,100
119	Pentwyn Leisure Centre Redevelopment	Subject to a Cabinet report and business case, to create a bespoke centre and elite training, fitness and conditioning facility. Total cost of £5m, of which £2 million would be from capital receipts, with £3 million subject to a business case demonstrating that any additional borrowing can be sustainably repaid from future income.	1,500	1,500	0	0	0	3,000
<b>TOTAL INVEST TO SAVE</b>			<b>35,631</b>	<b>138,936</b>	<b>170,874</b>	<b>17,250</b>	<b>11,776</b>	<b>374,467</b>
<b>TOTAL GENERAL FUND</b>			<b>157,613</b>	<b>251,332</b>	<b>271,037</b>	<b>120,545</b>	<b>68,945</b>	<b>869,472</b>

<b>Public Housing Capital Programme (HRA)</b>								
120	Regeneration and Area Improvement	Environmental works including defensible space, demolition, conversion and road/footpath realignment; energy efficiency schemes; improvements to flats, garages, gullies and open spaces.	3,150	4,150	5,150	5,150	5,150	22,750
121	External and Internal Improvements	Improvements include central heating, fencing, roofing, high rise upgrades, door entry systems, window and door upgrades, kitchens and bathrooms, improvements to sheltered housing and energy efficiency measures.	19,250	21,100	13,600	11,100	9,950	75,000
122	New Build and Acquisitions	Subject to approval of viability assessments, to develop or acquire land and new housing via a range of measures in order to increase the level of affordable housing in the city.	60,990	89,085	69,250	50,750	32,790	302,865
123	Disabled Facilities Adaptations	To provide adaptations and internal modifications to allow the recipient to live independently within the home.	3,350	3,350	3,350	3,350	3,350	16,750
<b>TOTAL PUBLIC HOUSING</b>			<b>86,740</b>	<b>117,685</b>	<b>91,350</b>	<b>70,350</b>	<b>51,240</b>	<b>417,365</b>
<b>TOTAL CAPITAL PROGRAMME EXPENDITURE</b>			<b>244,353</b>	<b>369,017</b>	<b>362,387</b>	<b>190,895</b>	<b>120,185</b>	<b>1,286,837</b>

## Capital Funding 2021/22 - 2025/26

	<b>2021/22</b> <b>£000</b>	<b>Indicative 2022/23 £000</b>	<b>Indicative 2023/24 £000</b>	<b>Indicative 2024/25 £000</b>	<b>Indicative 2025/26 £000</b>	<b>Total £000</b>	<b>%</b>
<b>General Fund</b>							
WG Unhypothecated Supported Borrowing	(8,845)	(8,845)	(8,845)	(8,845)	(8,845)	(44,225)	5.1
WG General Capital Grant	(8,868)	(5,712)	(5,212)	(5,212)	(5,212)	(30,216)	3.5
Additional Borrowing to balance existing capital programme	(31,747)	(47,834)	(21,354)	(147)	1,227	(99,855)	11.5
Additional Borrowing for new schemes approved in 2021/22	(3,035)	(5,625)	(11,700)	(6,650)	(5,650)	(32,660)	3.8
Additional Borrowing - Invest to save/earn schemes to be repaid from revenue savings/income or directorate budgets	(35,631)	(138,936)	(170,874)	(17,250)	(11,776)	(374,467)	43.1
Earmarked Capital Receipts	(6,600)	(14,842)	(5,250)	0	0	(26,692)	3.1
Non Earmarked Capital Receipts	(6,000)	(5,000)	(5,000)	(5,000)	(5,000)	(26,000)	3.0
Direct Revenue Financing	(210)	(210)	(210)	(210)	(210)	(1,050)	0.1
Earmarked Reserves	(50)	(50)	(128)	0	0	(228)	0.0
External funding estimates and contributions	(56,627)	(24,278)	(42,464)	(77,231)	(33,479)	(234,079)	26.9
<b>Total General Fund</b>	<b>(157,613)</b>	<b>(251,332)</b>	<b>(271,037)</b>	<b>(120,545)</b>	<b>(68,945)</b>	<b>(869,472)</b>	<b>100.0</b>
<b>Public Housing (HRA)</b>							
Major Repairs Allowance WG Grant	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(47,500)	11.4
Additional Borrowing	(63,706)	(95,320)	(66,750)	(50,350)	(34,340)	(310,466)	74.4
Direct Revenue Financing	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(12,000)	2.9
External funding estimates and contributions	(10,734)	(6,565)	(7,700)	(3,900)	0	(28,899)	6.9
Capital Receipts	(400)	(3,900)	(5,000)	(4,200)	(5,000)	(18,500)	4.4
<b>Total Public Housing</b>	<b>(86,740)</b>	<b>(117,685)</b>	<b>(91,350)</b>	<b>(70,350)</b>	<b>(51,240)</b>	<b>(417,365)</b>	<b>100.0</b>
<b>Total Capital Programme Resources Required</b>	<b>(244,353)</b>	<b>(369,017)</b>	<b>(362,387)</b>	<b>(190,895)</b>	<b>(120,185)</b>	<b>(1,286,837)</b>	