

Meeting of:	CABINET
Date of Meeting:	17 FEBRUARY 2026
Report Title:	CAPITAL STRATEGY 2026-27 TO 2035-36
Report Owner: Responsible Chief Officer / Cabinet Member	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE CABINET MEMBER – FINANCE AND PERFORMANCE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	The Council’s Financial Procedure Rules (para 3.5.1) require the Chief Finance Officer to prepare a Capital Strategy for submission to the Council for approval prior to the start of the financial year. The Strategy must demonstrate that capital expenditure and investment decisions are in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy must comply with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities.
Executive Summary:	<ul style="list-style-type: none"> • The purpose of the report is to present to Cabinet the Capital Strategy 2026-27 to 2035-36, which includes the Prudential Indicators, and the Annual Minimum Revenue Provision Statement 2026-27. • Control on capital expenditure is governed by legislation. • The Capital Strategy has been produced in accordance with CIPFA’s Prudential Code for Capital Finance in Local Authorities. • The Capital Strategy sets guiding principles for capital expenditure, and a framework for the management of capital finance. • The Capital Strategy is currently based on financial information as reported in the Medium Term Financial Strategy.

1. Purpose of Report

- 1.1 The purpose of this report is to present to Cabinet the Capital Strategy 2026-27 to 2035-36 (**Appendix A**), which includes the Prudential Indicators against which the Council measures itself during the financial year and the Annual Minimum Revenue Provision Statement 2026-27 (**Section 7 of Appendix A**), before submitting to Council for approval.

2. Background

- 2.1 Control on capital expenditure and investment is governed by legislation. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended, provides the regulatory framework for accounting practices to be followed, and contains detailed provisions for the capital finance and accounting controls, including the rules on the use of capital receipts and what is to be treated as capital expenditure. They modify accounting practice in various ways to prevent adverse impacts on authorities' revenue resources.
- 2.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities requires local authorities to determine a Capital Strategy, to be approved by full Council, which demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Code states that an authority must not borrow to invest primarily for financial return. It goes further to clarify that "it is not prudent for local authorities to make any investment or spending that will increase the capital financing requirement, and so lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose". The draft Capital Strategy has been produced in line with the Code and sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 2.3 The Capital Strategy should demonstrate how the Council ensures that all its capital and investment plans and borrowing are prudent and sustainable.

3. Current situation / proposal

- 3.1 The Capital Strategy at **Appendix A** gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future sustainability. In doing so, it includes the prescribed Prudential Indicators for a three-year rolling period.
- 3.2 The principles within the Capital Strategy have been applied to the allocation of capital resources and schemes within the Capital Programme included within the Medium Term Financial Strategy (MTFS). This will be approved by Council before the start of the financial year in accordance with the Constitution. Following approval, any schemes for which external funding has been approved will be added to the Capital Programme once the funding has been accepted and included in the next Capital Programme report to Council. Urgent expenditure not included in any budget

approval, which needs to be agreed prior to the next meeting of Council, may only be incurred with the approval of the Chief Finance Officer.

3.3 The Strategy emphasises the pressures currently being faced by the Council. Pressures on the capital programme include:

- Increased prices of materials;
- Supply chain difficulties leading to higher prices and delays in schemes being completed;
- Recruitment challenges, both within the Council and in companies we contract with, resulting in higher wages and overall contract costs;
- Additional requirements on schemes to achieve Welsh Government's Net Zero commitment, which includes an aim of collectively achieving net zero across the Welsh public sector, which will lead to changes in the way assets are designed and managed, which will likely result in increased costs.

Welsh Government's capital funding allocation to the Council for 2026-27 shows a slight increase to that previously anticipated, from £4.772 million to £4.992 million, and future estimates show funding as remaining at this increased level. It is a modest increase and with the Council's capital receipts largely committed to schemes within the capital programme, funding any new schemes is challenging. It may be possible to secure specific grants and other funding to deliver schemes. Whilst the Council is able to borrow to fund capital expenditure, this places a long-term liability on the Council as well as a revenue cost in terms of interest payable. The Council also has to set aside revenue resources to repay the debt, which is a further cost to revenue budgets.

3.4 The Capital Strategy confirms the Council's compliance with the Prudential Code for Capital Finance in Local Authorities. It sets out the guiding principles for capital decisions in respect of:

Principle 1: Focusing capital investment on delivery of the Council's Well-being Objectives and Priorities.

Principle 2: Ensuring strong governance over decision-making.

Principle 3: Ensuring that capital plans are affordable, sustainable and prudent.

Principle 4: Maximising and promoting the best use of available funds.

3.5 The Capital Strategy sets out a framework for the self-management of capital finance and examines the following areas:

- Capital Strategy Framework
- Asset Management Planning
- Risk
- Governance and Decision Making
- Capital investment programme and funding
- Managing borrowing

It reports on the delivery, affordability and risks associated with the long-term context in which capital expenditure and investment decisions are made.

3.6 The Council has robust processes in place to approve, manage and monitor capital projects. Monthly finance meetings are held consisting of the Leader, Cabinet

Member – Finance & Performance, and members of the Corporate Management Team, chaired by the Chief Officer – Finance, Housing and Change to enable discussions about both capital and revenue to be held together, conscious that capital decisions often have revenue implications.

- 3.7 Section 4.0 of the draft Capital Strategy summarises the 10-year Capital Programme by Council Directorates and identifies some of the key schemes. Key indicators are included at section 5.0 – Funding the Strategy and Section 6.0 – Managing the Borrowing Requirement. These Performance Indicators are crucial in determining the effective management of borrowing to support the Capital Programme and are reported to Cabinet and Council on a quarterly basis.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

Schemes within the Capital Programme will be subject to the preparation of separate Equality Impact Assessments before proceeding.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 In terms of meeting the 5 ways of working within the Act the Capital Strategy sets out the following:

1. **Long term:** The Capital Strategy is a 10-year strategy and considers the need for capital investment over the medium to long term.
2. **Prevention:** The Capital Strategy seeks to ensure that assets and capital investment are fit for the future, to enable the Council to successfully deliver its services for the benefit of its communities.
3. **Integration:** The Capital Strategy is an integral element of the Council's medium term financial strategy, ensuring coherence between revenue and capital budgets to enable delivery of the Council's services.
4. **Collaboration:** The Capital Strategy brings together the capital plans of the Council to ensure the delivery of the well-being objectives.
5. **Involvement:** The Capital Strategy is developed through directorates identifying capital needs and schemes to meet those needs. It is subject to scrutiny by this Committee and is presented to Cabinet and then Council for approval.

- 5.2 The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. In developing the Capital Strategy, officers have considered the importance of balancing capital resources over the short-term and minimising the revenue costs of debt with longer-term objectives of managing the Council's long term capital programme. The Prudential Indicators are forward looking and are set to support future sustainability.

6. Climate Change and Nature Implications

- 6.1 The climate change and nature implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

7. Safeguarding and Corporate Parent Implications

- 7.1 The safeguarding and corporate parenting implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon safeguarding and corporate parenting because of this report.

8. Financial Implications

- 8.1 The financial implications are included in the report.

9. Recommendation

- 9.1 It is recommended that Cabinet:
- Consider the report and recommend that the Capital Strategy 2026-27 to 2035-36, including the Prudential Indicators 2026-27 to 2035-36 and the Annual Minimum Revenue Provision (MRP) Statement 2026-27 at **Appendix A** be presented to Council for approval.

Background documents

None