

REPORT OF DIRECTOR OF CORPORATE SERVICES

Executive Board

24th February 2020

FIVE-YEAR CAPITAL PROGRAMME – 2020/21, 2021/22, 2022/23, 2023/24 and 2024/25

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1. INTRODUCTION

- 1.1. The report provides members with a view of the five-year Capital Programme 2020/21, 2021/22, 2022/23, 2023/24 and 2024/25.
- 1.2. This report reflects the position following consultation results in setting out the proposals for the authority's capital programme for the next five years.
- 1.3. The authority is required to approve a rolling capital programme each year as part of its budget setting process. This facilitates forward planning and is consistent with the requirements of the Prudential Code in terms of financial planning and funding while assisting officers in bidding for external funding.
- 1.4. The Executive Board needs to consider the detailed proposals within the report and approve the recommendations in accordance with council policy.

2. CONSULTATION

- 2.1. The detailed provisional capital programme (**Appendix B(i)**) was presented to the Policy and Resources Scrutiny Committee on 27th January 2020 to seek its views on the proposals. An extract from the relevant Committee meeting minutes is appended (**Appendix A**) for information.

3. BACKGROUND

- 3.1. Last year the authority agreed a fully funded five capital programme 2019/20 to 2024/25 which was approved at County Council on 20th February 2019.
- 3.2. The capital programme was revisited by the Strategic Assets Steering Group (SASG) and the Corporate Management Team. Departments also submitted proposals for new projects in 2024/25 which is the fifth year of the new programme. Projects have been assessed and prioritised with only the highest priorities being able to be included in the programme.
- 3.3. The proposed capital programme is attached in Appendix B and shows the anticipated expenditure and sources of funding over the five year period.
- 3.4. The proposed Capital Programme and Funding is based on Welsh Government's Provisional Settlement. The Final Settlement is particularly late this year, mainly due to the General Election that took place in December. The Final Settlement is due on the 25th February and it will be noted that whilst no changes are expected, should there be any amendments in the funding figures issued by WG, that Executive Board is asked to delegate to the Director of Corporate Services to adjust the programme accordingly, in liaison with the CE, Leader and EB member for Resources.

4. PRIORITIES

- 4.1. The current Corporate Strategy for 2018-2023 (refreshed 2019) sets out the Authority's strategic priorities, aspirations, overarching themes and core values, and the programme has been developed in line with these.
- 4.2. The proposed capital programme of £255m over the 5 years is aimed at delivering a number of key projects that will create jobs and improve the quality of life for the people of Carmarthenshire. The key investments are:

	£m
Schools	86
Housing (Non HRA)	10
Leisure & Culture	24
Regeneration	81
ICT	6
Environment	48

5. FUNDING

- 5.1. The provisional settlement received from the Welsh Government (WG) allocated capital funding of £11.834m for the Authority in 2020-21. This is made up of Unhypothecated Supported Borrowing of £5.909m and General Capital Grant of £5.925m. This is an increase of £1.075m against previously planned figure, which was itself augmented by the £100m all Wales 3 year package announced by WG in 2018.

Recognising the experience of recent years additional WG capital funding, as well as indications from Westminster of increases in capital investment (which would likely lead to WG Barnett consequential), our assumption on general capital funding has been increased by £1m annually.

- 5.2. The level of capital receipts funding included within the programme has been revised in line with latest estimates. General capital receipts of £5.6m will be applied over the five year period. It should be noted that there may be a need to amend future capital programmes if there is a shortfall in expected receipts.
- 5.3. The use of earmarked reserves was approved as part of previous year's reports and were included as funding for the current capital programme. In total some £44m of reserve funding is included over the five years of the programme.
- 5.4. Within the Modernising Education Programme (MEP) additional resources have been approved in recent years for the Band A 21st Century Schools projects. (This was in response to a request by the WG to bring forward their Band A projects for completion by 2018/19.) This investment includes supported borrowing, earmarked reserves and capital receipts and is part of the County Council's 50% contribution towards the Band A projects with the balance in funding coming from the WG.

The Band B programme runs from 2019 to 2026, with an estimated programme value of £129.5m for Carmarthenshire. This will require LA contribution in the region of £36.5m capital funding of which, £23m has allocated in the programme to 2025. WG introduced a contribution level of 65% towards Band B projects, with the County Council's contribution now being 35%. Special Schools have a 75% WG contribution rate. The £129.5m allocation includes £25m for the Mutual Investment Model (MIM) projects for which the LA is required to contribute 19% from revenue funding. The Mutual Investment Model is an alternative funding model developed by Welsh Government, which takes account of the whole life costs of the education building and is funding through a revenue contribution of 19% and WG grant funding of 81%. The Authority will need to monitor closely the development of this programme in order to ensure that funding is available to cover the projects as they are committed.

- 5.5. Funding from external parties in the form of grants for the whole of the capital programme is currently expected to be in the region of £87m. There is also £42m of funding for the City Deal.

6. CAPITAL PROGRAMME 2020/21 TO 2024/25

- 6.1. When the capital programme was approved at County Council on 20th February 2019 it was fully funded. The new capital programme again remains fully funded.
- 6.2. As part of the compilation of the proposed capital programme a review of the years 2020/21 to 2023/24 has been undertaken and new expenditure/schemes have been proposed for the 5th year 2024/25. The paragraphs below detail the changes to the existing projects and identifies the new proposals. The revised capital programme inclusive of the amendments and new projects is set out in **Appendix B(i)**.

Community Services

- 6.3. Within Community Services, the capital programme makes material investments to leisure and cultural services.
- 6.4. The most significant of these is a £1.9m investment into Oriel Mryddin. This will deliver a gallery of national importance, aligned with the Arts Council of Wales dispersed model of galleries across Wales. It is envisaged that the completed gallery could display national collections. This will broaden access to the arts and contribute to Carmarthenshire as a tourist destination.
- 6.5. A further £650k is to be invested into Carmarthen Leisure Centre. This final phase, encompassing improvements to the car parking and pedestrian access, will complete the masterplan improvements.
- 6.6. In 2024/25 within Private Sector Housing, funding is provided for Disabled Facility Grants £2m.

Environment

- 6.7. For 2024/25 further allocations to existing rolling programmes of work are included such as Highway Improvements £600k, Bridge Maintenance £400k and Road Safety Improvement £250k.
- 6.8. Council funding on Highway Maintenance will continue to be bolstered in 2020/21 through a Road Refurbishment Grant provided by WG.
- 6.9. Recognising the backlog of works across the council's operational estate, it has been possible to make the following additions:
- £2.5m is provided across the five years of the programme to complete essential works to County Hall, including upgrades

to alarm systems and other mechanical and electrical works. This will be phased to minimise disruption to Council functions.

- £500k is provided for health and safety works to Ty Elwyn
 - It is proposed to continue investment in Capitalised Maintenance and increase the allocation to £3.5m in 2024/25.
- 6.10. Officers are currently developing an extensive programme of energy efficiency and carbon reduction measures which will be implemented across multiple buildings in the council's estate, including schools and leisure facilities, to be funded by a zero interest loan on a prudential basis. This will be brought forward for member approval at the earliest opportunity
- 6.11. A five-year Fleet Replacement Programme for £10.7m is included to ensure that vehicles and plant machinery assets are replaced when they reach the end of their viable economic life. The funding for this capital spend will be provided directly from revenue budgets of the service users via prudential borrowing.
- 6.12. We have allocated £25k to the provision of the county's first Changing Places facility.

Education and Children

- 6.13. In the Education and Children capital programme, the MEP includes the continuation of the 21st Century Schools improvement programme. Schemes are funded jointly by Welsh Government grant and the Authority. Owing to known and likely external factors some schemes have been interchanged between Bands A and B of the programme to ensure external funding is fully utilised.
- 6.14. The MEP programme continues to include schemes to a total value of £25m which will be supported through the MIM funding approach.
- 6.15. The WG have recently allocated £43m one off grant funding across Wales (c. £2.7m for Carmarthenshire) for Schools capital maintenance.

Chief Executive

- 6.16. ICT services have £5.7m allocated across the programme. This includes an additional £1.157m of critical infrastructure works in 2024/25, as well as annual funding of £200k to support Digital Transformational projects across council services, aligned with the council's TIC work programme.

- 6.17. During 2019/20, WG have confirmed grant funding of £50m across Wales for Schools ICT infrastructure, of which around £2.5m for Carmarthenshire is likely to fall over the next two years. There is no requirement for match funding, however Local Authorities must identify a sustainable funding model to ensure a lasting impact to this one off funding.

Regeneration

- 6.18. The Transformation Strategy Project Fund has been allocated a further £1.5m of County Council funding for 2024/25, with the expectation that this will lever in a further £3m in external monies.
- 6.19. In line with the approval given by Executive Board in November 2019, the £4m scheme to redevelop Llandeilo Market Hall is added to the programme, including £2.6m of funding from previous year grant and reserves.
- 6.20. Following the successful delivery of phase 1 of Glanamman workshops, which is now fully let, a further £600k has been allocated for phase 2, which will be added to the £247k slippage from phase 1.
- 6.21. In recognition of the Climate Emergency declared in 2019/20, £500k of new unsupported borrowing has been allocated to decarbonisation projects. This approach is supported by an addition to the council's revenue budget, to enable the development and delivery of this new area of focus.
- 6.22. £200k is provided for the fit out of the Pendine Attractor Project, to enable it to reach its full potential.
- 6.23. Included within Regeneration (City Deal) is the budget for the Llanelli Area Review. Including funding allocated in previous years, the total budget for this scheme stands at £7.0m and will form part of the council's contribution to the Wellness Village.

Also included within the Regeneration (City Deal) is the budget for Llanelli Leisure Centre. This budget has been increased by £2m based on additional funding available from reserves (£1m) and external funding from a trust (£1m). Based on current costings, it is anticipated that there could be a further £1.5m required as part of the business plan approval process. Furthermore, this budget does not include any allowance for fit out costs, which it is estimated could account for a further £1.0m - £1.5m.

The Capital Programme includes the proposed expenditure on the two capital City Deal Projects. This expenditure, whilst being incurred by the Authority will be repaid to the Authority over a 15 year period by both Welsh and UK governments. The structure of the City Deal projects is that WG expects the Authority deliver the projects and raise the funding through borrowing which will

then be repaid by grant over the next 15 years. The projects or the Authority will need to accommodate the interest payments on this borrowing. The two capital projects the Authority will deliver are the Wellness Village and Yr Egin.

Development of the Wellness Village will require upfront investment of an estimated £10m for site infrastructure costs, to be financed from borrowing. Funding will be subject to income flows from different elements of the project, with borrowing not to take place until these are secured. This mechanism will be part of the wider business case, which will be subject to member approval at the appropriate time. As such, no figures are yet included in the current capital programme.

The County Council will also have an input into the Regional Projects.

Reserve Projects

6.24. Whilst additional funding has enabled the inclusion of significant additions to the capital programme, there remain a large number of schemes which it has not been possible to provide funding for at this time. As part of the capital bids process this year, council officers identified possible investments totalling in excess of £100m which currently remain on a prioritised reserve list, including items such as:

- Additional investment into highways maintenance & infrastructure.
- Investment in waste treatment infrastructure changes to facilitate future service changes
- Further funding required to complete the Tywi Valley Path
- Increased council allocations for regeneration programmes including the Rural Enterprise Fund and Commercial Property Fund
- Additional Disabled Facilities Grants annual allocations
- Wider investment into Leisure Centres refurbishments and Pendine Outdoor Centre
- Covering the current shortfall on overall council funding required to complete the 21st Century Schools Band B programme

Unless and until further funding sources are identified, it is only possible to consider such additions to the capital programme if current schemes are removed or reduced. A full list of high and

medium ranked priorities is provided in **Appendix B(ii)**.

7. WELLBEING OF FUTURE GENERATIONS (WALES) ACT 2015

- 7.1. In considering the capital programme, members need to take into consideration the requirements of the Wellbeing of Future Generations (Wales) Act 2015. The Act requires the public bodies to carry out development sustainably, improving the economic, social, environmental and cultural well-being of Wales.

‘... the public body must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs’

- 7.2. In doing so, we must demonstrate the following five ways of working:

- i. Looking at the long-term so that we do not compromise the ability of future generations to meet their own needs
- ii. Understanding the root causes of issues to prevent them recurring
- iii. Taking an integrated approach so that we look at all well-being goals and objectives of other services and partners
- iv. Working with others in a collaborative way to find shared sustainable solutions
- v. Involving a diversity of population in decisions that affect them

- 7.3. The Act identifies seven well-being goals and provide a shared vision for public bodies to work towards. We must work towards achieving all of them.

- i. A prosperous Wales
 - ii. A resilient Wales
 - iii. A healthier Wales
 - iv. A more equal Wales
 - v. A Wales of cohesive communities
 - vi. A Wales of vibrant culture and thriving Welsh Language
 - vii. A globally responsible Wales
- 7.4. Our well-being objectives are designed to maximise our contribution to achieving the seven well-being goals of the Act.
- 7.5. All projects within the programme have been assessed and scored with the five ways of working, the seven goals and our corporate well-being statement in mind.

8. SUMMARY

The table below gives a breakdown of the expenditure by departments and the sources of funding.

CAPITAL PROGRAMME SUMMARY					
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
<u>Expenditure</u>					
Community Services	5,600	3,317	2,000	2,000	2,000
Environment	12,381	14,665	8,092	6,033	6,360
Education & Children	38,866	27,886	16,114	2,705	300
Chief Executive	1,700	2,275	200	200	1,357
Regeneration	47,846	25,180	18,600	4,500	4,500
Total Expenditure	106,393	73,323	45,006	15,438	14,517
<u>Grants and Contributions</u>					
External Funding	48,830	45,117	28,675	3,200	3,000
Net Expenditure Funded by CCC	57,563	28,206	16,331	12,238	11,517
<u>CCC Funding</u>					
Non-hypothecated Supported Borrowing	5,909	5,909	5,909	5,909	5,909
Unsupported Borrowing	1,100	500	0	0	0
General Capital Grant	4,606	4,606	4,606	4,606	4,606
General Capital Grant (3year allocation of £6m)	1,319	0	0	0	0
Capital Receipts	4,100	1,500	0	0	0
Capital Reserves	29,945	38	37	473	2
Additional Borrowing – MEP	4,987	0	0	0	0
Economic Stimulus Funding	600	722	0	0	0
Prudential Borrowing - Fleet	366	6,380	1,980	1,000	1,000
MEP Reserve	0	7,951	3,799	250	0
Joint Venture Funding Llanelli Leisure Centre	3,500	0	0	0	0
Direct Revenue Funding	600	600	0	0	0
Section 106	531	0	0	0	0
Overall Net Position: Surplus (+) / Deficit (-)	0	0	0	0	0

- 8.1. To summarise the overall position, the capital programme is fully funded for the 5 years from 2020/21 to 2024/25.
- 8.2. The total cost of the programme is £255m of which £126m is to be funded by the County Council and £129m is funded from external grants and contributions.
- 8.3. The full detail of the proposed five-year capital programme is attached in Appendix B(i).

9. REVENUE IMPLICATIONS

- 9.1. Whilst in recent years, no revenue implications have been validated within the revenue budget, this approach is not sustainable indefinitely. The draft revenue budget strategy 2020/21 to 2022/23 allows for £400k increased revenue budget implications each year.

10. RECOMMENDATIONS

- 10.1 That Executive Board consider and recommend to County Council:
 - 10.1.1 The five-year Capital Programme and funding as detailed in Appendix B be approved, with 2020/21 being a hard budget and 2021/22 to 2024/25 soft/indicative budgets.
 - 10.1.2 That the programme be reviewed, as is usual, if anticipated external or county council funding does not materialise.
 - 10.1.3 That the Capital Strategy in Appendix C be approved.
 - 10.1.4 Delegate to the Director of Corporate Services, in consultation with the Chief Executive, Leader and Executive Board Member for Resources, to make any amendments necessary as a consequence of the WG final settlement due on 25 February.