

# REPORT OF DIRECTOR OF CORPORATE SERVICES

## **CABINET**

**20-02-2023**

### **FIVE-YEAR CAPITAL PROGRAMME – 2023/24, 2024/25, 2025/26, 2026/27 and 2027/28**

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## **1 INTRODUCTION**

- 1.1. The report provides members with a view of the proposed five-year Capital Programme 2023/24, 2024/25, 2025/26, 2026/27 and 2027/28.
- 1.2. This report reflects the position following consultation and sets out the proposals for the authority's capital programme for the next five years.
- 1.3. In response to the consultation and the matters raised in the scrutiny committee meeting, the capital programme has been updated to give additional support for flood mitigation and decarbonisation measures.
- 1.4. 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.
- 1.5. The Cabinet 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 A) was presented to the Corporate Performance and Resources Scrutiny Committee on 30<sup>th</sup> January 2023 to seek its views on the proposals. An extract from the relevant Committee meeting minutes is appended (Appendix B) for information.

### **3. BACKGROUND**

- 3.1. Last year the authority agreed a fully funded five-year capital programme 2022/23 to 2026/27 which was approved at County Council on 2<sup>nd</sup> March 2022.
- 3.2. 2021 was an unprecedented year and saw us reprioritise our capital strategy and capital programme to reflect the desire to boost local businesses and local economies in response to the Covid-19 pandemic. This commitment remained our focus last year and coupled with the UK Government's levelling up funding saw the start of significant investments to boost the Carmarthenshire economy. During 2022 we faced multiple challenges from rising costs, rising inflation and reductions in government funding, those challenges remain as we look to prioritise our spending in 2023/24 and beyond. The truth is that the council has never faced the pressures on budgets that we currently face. The capital programme has been reviewed and departments also submitted proposals for new critically urgent projects for the programme. Projects have been assessed and prioritised with only the highest priorities being included in the programme. Given the cost pressures on the revenue budgets no wider expressions of interest were invited. This will enable projects already approved to be completed without putting additional pressures on resources and local contractor capacity.
- 3.3. The proposed capital programme is attached in Appendix A 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 the Welsh Government's (WG) provisional settlement, received on 14<sup>th</sup> December 2022. This year the capital funding across Wales has been confirmed at £180m for 2023/24 and 2024/25 which is 8.1% lower in real terms compared to the 2022/23 capital budget. For Carmarthenshire this means an allocation of non-hypothecated capital funding of £11.989m. Other hypothecated capital funding grants across Wales totalling £925.948m was announced in the settlement and we will be applying to take advantage of this grant funding in due course but it is not reflected in the programme at this time. Any successful applications for funding will be reported separately. The Final Settlement, is due in March. Should there be any amendments in the funding figures Cabinet/County Council is asked to delegate to the Director of Corporate Services authority to adjust the programme accordingly, in liaison with the Chief Executive, Leader and Cabinet Member for Resources. Similarly, delegated authority to update the programme is sought should any other award of grant funding be received at the same time, again in consultation with the same.

### **4. PRIORITIES**

- 4.1. The current Corporate Strategy for 2018-2023 (refreshed June 2021) sets out the Authority's strategic priorities, aspirations, overarching themes and core values, and the programme has been developed in line with these, whilst also recognising the priorities that have come forward as a consequence of the pandemic and Levelling Up funding.

4.2. The proposed capital programme of £265m over the five years (which includes some reprofiled projects from previous 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 within the programme are:

	£'m
Schools	73
Housing (Non HRA)	12
Leisure & Culture	4
Regeneration	27
Swansea City Deal Region	86
ICT and Property	4
Place and Infrastructure	59

## 5. FUNDING

The provisional settlement received from WG allocated capital funding of £11.989m for the Authority in 2023/24, made up of non-hypothecated supported borrowing of £5.914m and General Capital Grant of £6.075m.

- 5.1. The level of capital receipts funding included within the programme is £3.5m for the Llanelli Leisure centre project. It should be noted that there may be a need to amend future capital programmes if there is a shortfall in expected receipts.
- 5.2. The use of earmarked reserves was approved as part of previous years' reports and were included as funding for the current capital programme. In total £45.2m of reserve funding is included over the five years of the programme.
- 5.3. The existing levels of investment into the schools estate programme is maintained with a realisation that additional funding will be needed in future years to deliver the whole MEP programme. New match funding is made available from reserves and prudential borrowing to deliver the next phase of new school builds.
- 5.4. 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 £100.4m. which includes City Deal, Levelling Up projects and anticipated schools grants.
- 5.5. As part of the provisional annual settlement from Welsh Government, funding was made available on an all Wales basis for the following areas:
  - Active Travel Fund, Local Transport Fund, Bus Infrastructure, Road Safety and Safe Routes in Communities - £107m for 2023/24. Carmarthenshire will bid for funding from these grants and any

successful awards will be added to the capital programme in due course.

- 5.6. Disappointingly, no award was made for Highways Refurbishment or Resilient Roads funding as in previous years which means we have had to revise down our commitments in this area.

## **6. CAPITAL PROGRAMME 2023/24 TO 2027/28**

- 6.1. When the capital programme was approved at County Council on 2<sup>nd</sup> March 2022 it was fully funded. The new capital programme again remains fully funded over the five-year period, however, it is proposed to undercommit some of the available funding from the Welsh Government in order to give flexibility across the programme to cover any unexpected additional costs on approved projects.

### **Community Services**

- 6.2. In recent years there have been significant investments across the Community Services portfolio with investments in the new Carmarthenshire Archive, Museums in Abergwili and Parc Howard and the ongoing development at Oriel Myrddin.
- 6.3. The new programme includes the provision of a new leisure centre in Llanelli, which will be delivered in conjunction with the Pentre Awel development under the umbrella of the Swansea Bay City Region.
- 6.4. In 2027/28 within Private Sector Housing, further funding is provided for Disabled Facility Grants of £2.5m.

### **Environment**

- 6.5. For 2027/28 further allocations to existing rolling programmes of work are included, namely Highway Improvements £600k, Highway Drainage £250K, Bridge Maintenance £400k, Road Safety Improvement £250k, public lighting £400k.

Given the disappointing omission of specific Highways Improvement grant funding in the WG settlement, in 2022/23 we were able to supplement this with £1m of our own resources. We will be able to continue this support in 2023/24 funded from borrowing because we have been able to take advantage of more favourable borrowing rates than was supported by the Welsh Government under the LGBI initiative. This is in addition to our annual commitment of £600k already mentioned. We will continue to work with the WG in the hope that funding towards highways can be restored in future years.

- 6.6. 2027/28 also sees the continuation of our commitment to Rights of Way and Byways with funding of £66k, in recognition of our obligations in this area and the wider community health and environmental benefits provided by these valuable resources.
- 6.7. Our commitment to the Tywi Valley Path project continues with £18.2m included in the new programme, £1,864k in-house funding together with the

grant of £16.8m from the UK Government's Levelling Up Fund. A major investment which will bring significant benefits to the rural economy in the medium to long-term and improvements in health and wellbeing for residents.

- 6.8. Funding for flood risk management of £75k in 2023/24 continues in order to match fund external grants.
- 6.9. £1m additional funds have been incorporated within the first three years to support flood mitigation.
- 6.10. £500k in provided in 2023/24 to further support the Council's decarbonisation programme.
- 6.11. Significant investment continues to be made available to the upkeep and refurbishment of the County's estate.
  - Works continue at County Hall, alongside £300k for county farms slurry infrastructure.
  - In addition in 2027/28 it is proposed to continue the annual allocation towards Capital Maintenance across the county estate at £3m. (£15.2m across the five years.) This maintains our investment in this area whilst recognising that the estate may be downsized in coming years as we aim to release capital receipts to fund future programmes.
- 6.12. £4.7m for refuse and recycling vehicle replacement is included, which will see the rollout of kerbside sorting for recycling collections. It is hoped that this project will attract significant funding from WG in the future which will see investment in the infrastructure at Nantycaws and the replacement of the current refuse lorries with an electric fleet in the coming years. It will make a huge contribution to our efforts to decarbonise our services to address local, national and global commitments to Net Zero Carbon.
- 6.13. A five-year Fleet Replacement Programme for £4.5m, excluding refuse and recycling collection vehicles, 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.
- 6.14. As part of the provisional settlement, £20m per annum from 2023/24 will be made available on an all Wales basis for the decarbonisation agenda. We will work with the WG and other local authorities and organisations to see how this funding can be best utilised to have the greatest impact across the authority's estate, and across Wales, in response to the climate emergency.

## **Education and Children**

- 6.15. In the Education and Children Services capital programme, the MEP includes the continuation of the Sustainable Communities for Learning improvement programme. Schemes are funded jointly by Welsh Government grant and the Authority.

- 6.16. There are eight schools included in the programme at design stage. As they complete final business case stage and receive offers of grant funding from the Welsh Government they will be included in the delivery stage of the programme. Future reports will seek approval for inclusion in the programme if and when external funding is secured. Internal match funding will be from the Consolidated MEP Delivery Fund.
- 6.17. It is proposed to award a further £500k in 2027/28 to fund ongoing pressures on the education budget, namely: Equalities Works, Health and Safety measures, Mobile Classroom Provision.
- 6.18. To mitigate ongoing health and safety concerns at a number of school drop-off sites we propose to provide £850k in 2023/24 and 2024/25 for the provision of new bus bays and traffic management projects. This will be funded by MEP unsupported prudential borrowing.
- 6.19. An autism spectrum disorder (ASD) unit for secondary age pupils is urgently needed in the east of the county. This will be accommodated in the Llanelli/Burry Port Area. It is hoped that this will attract government funding of approximately £1.5m. It is proposed to provide a further £500k in match funding for the provision of the same from our own resources to meet our responsibilities in this area. This will be funded by MEP unsupported prudential borrowing.

### **Chief Executive**

- 6.20. ICT services are crucial to our future ways of working. There is £2.4m allocated across the programme for this area. It includes annual funding of £200k per annum to support digital transformational projects across council services. The county council will also see the benefit of the Swansea Bay City Region Digital Project across the county.

### **Regeneration**

- 6.21. The work to deliver the new Carmarthen town centre hub continues. A new community resource, in partnership with healthcare and education providers. It will also see a new home for some of the county's art collections currently unseen by the public, and a new fitness suite. This development will bring footfall back to the town centre and be a catalyst for the regeneration and revitalisation of Carmarthen town centre.
- 6.22. In the medium term we will need to be able to support new regeneration projects as they are developed. We are therefore making new awards of £2m per year in 2026/27 and 2027/28 to Regeneration Schemes Match Funding, which in turn will be utilised to attract external grant funding to developments across the county.
- 6.23. Work continues on the Pentre Awel project (Zone 1), delivered under the Swansea Bay City Region programme, which will create five distinct buildings linked with a "street" space, comprising an aquatics centre, sports hall, multipurpose sports and fitness rooms and gym, education and training facilities, clinical delivery and research and innovation and business space. The budgeted costs of Zone 1 which started in 2018/19 are increasing at the

moment and we are in negotiations with the contractor currently. The funding will be via City Deal (£40m), County Council finances, Llanelli Waterfront JV, third party Health partners, and external market funding, £26m of which falls within year one of the new programme. The latest estimated cost is included within the programme.

The project also includes the provision of a hydro-therapy pool, which will be part of the leisure element, the funding for which includes approximately £1m from a trust. This project has recently been subject to a separate County Council report. With reference to the City Deal funding, the expenditure - whilst being incurred by the Authority, will be repaid to the Authority over a period of up to 15 years by both Welsh and UK governments. The structure of the City Deal projects means that WG expects the Authority to deliver the projects and raise the funding through borrowing which will then be repaid over a 15 year period. The projects or the Authority will need to accommodate the interest payments on this borrowing.

6.24. The Pentre Awel development also provides for an assisted housing development programme, in Zone 3, which is part of the HRA capital programme.

6.25. The County Council will also have an input in other regional projects delivered by the Swansea Bay City Region given its role as lead body.

## **7. WELL-BEING OF FUTURE GENERATIONS (WALES) ACT 2015**

7.1. In considering the capital programme, members need to take into consideration the requirements of the Well-being 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 assesses 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.

<b>CAPITAL PROGRAMME SUMMARY</b>						
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Expenditure</u></b>						
Community Services	6,312	2,300	2,000	2,500	2,500	15,612
Place and Infrastructure	35,311	6,672	6,543	5,026	5,026	58,078
Education & Children	18,416	33,593	20,857	500	500	73,866
Chief Executive	1,465	1,657	200	200	200	3,722
Regeneration	89,639	15,424	3,863	2,201	2,000	113,127
<b>Total Expenditure</b>	<b>151,143</b>	<b>59,646</b>	<b>33,463</b>	<b>10,427</b>	<b>10,226</b>	<b>264,905</b>
<b><u>Grants and Contributions</u></b>						
External Funding	63,916	23,273	13,232	0	0	100,421
<b>Net Expenditure Funded by CCC</b>	<b>87,227</b>	<b>36,373</b>	<b>20,231</b>	<b>10,427</b>	<b>10,226</b>	<b>164,484</b>
<b><u>CCC Funding</u></b>						
Non-hypothecated Supported Borrowing	5,914	5,914	5,914	5,914	5,914	29,570
Unsupported Borrowing	24,603	10,143	4,822	-1,100	280	38,748
Prudential Borrowing - Fleet	7,250	1,000	1,000	0	0	9,250
General Capital Grant	6,075	6,075	6,075	6,075	6,075	30,375
Capital Reserves	39,369	12,725	1,904	500	0	54,498
Joint Venture Funding Llanelli Leisure Centre	3,500	0	0	0	0	3,500
Direct Revenue Funding	516	516	516	490	16	2,054
<b>Overall Net Position: Surplus + / Deficit (-)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,452</b>	<b>2,059</b>	<b>3,511</b>

8.1. To summarise the overall position, all approved projects within the capital programme are fully funded for the five years from 2023/24 to 2027/28, however, not all available funding is committed at this time in order to give us flexibility to deal with future cost pressures or urgent works which may arise.

8.2. The total cost of the programme is £264.9m of which £100.4m is funded from external grants and contributions.

8.3. The full detail of the proposed five-year capital programme is attached in Appendix A.

## **9. REVENUE IMPLICATIONS**

9.1. The revenue budget strategy in 2023/24 allows for a £400k increase in the revenue budget implications of the capital programme.

## **10. RECOMMENDATIONS**

That Cabinet consider and recommend to County Council:

10.1. The five-year Capital Programme and funding as detailed in Appendix A, with 2023/24 being a hard budget and 2024/25 to 2027/28 soft/indicative budgets.

10.2. That the programme be reviewed, as is usual, if predicted external or county council funding does not materialise.

10.3. That the Capital Strategy in Appendix C be approved.

and

10.4. That Cabinet/County Council delegates to the Director of Corporate Services, in consultation with the Chief Executive, Leader and Cabinet Member for Resources, authority to make any amendments to the programme necessary as a consequence of the final settlement from the Welsh Government due on 1<sup>st</sup> March 2023.