

# **REPORT OF DIRECTOR OF CORPORATE SERVICES**

## **EXECUTIVE BOARD**

**4th FEBRUARY 2019**

### **FIVE YEAR CAPITAL PROGRAMME – 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24**

| <b>HEAD OF SERVICE &amp; DESIGNATION</b>       | <b>DIRECTORATE</b>        | <b>TELEPHONE NO.</b> |
|--|---------------------------|----------------------|
| <b>C Moore, Director of Corporate Services</b> | <b>Corporate Services</b> | <b>01267 224120</b>  |
| <b>AUTHOR &amp; DESIGNATION</b>                | <b>DIRECTORATE</b>        | <b>TELEPHONE NO.</b> |
| <b>C Moore, Director of Corporate Services</b> | <b>Corporate Services</b> | <b>01267 224120</b>  |
| <b>M Gower, Senior Accountant</b>              |                           | <b>01267 224188</b>  |

## **1. INTRODUCTION**

- 1.1. Executive Board on the 17th December 2018 considered and endorsed the draft five year Capital Programme 2019/20 to 2023/24 report for consultation purposes.
- 1.2. This report updates members on the latest position taking account of the consultation results and aims to establish the Authority's five year Capital Programme.
- 1.3. Since the consultation process, an extra £600k has been confirmed by Welsh Government in relation to additional general capital grant awarded. Details are included in paragraph 3.5 below. The Additional £600k has been allocated equally (£200k each) to Disabled Facilities Grant (2019/20), Tywi Valley Path (2019/20) and Amman Valley Leisure Centre (2020/21). There was also a minor change to the supported borrowing figure from Welsh Government, which increased the supported borrowing from £5.867m to £5.868m for 2019/20, thus giving an additional £5k over the 5 years of the capital programme. The additional £5k has been allocated to Provision Expenditure in Education for 2019/20.
- 1.4. The Authority is required to approve a rolling capital programme each year as part of the budget process. This facilitates forward planning, is consistent with the requirements of the Prudential Code in terms of financial planning and funding, and assists officers in bidding for external funding.
- 1.5. 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 budget consultation exercise was launched with the approval of the three year budget strategy by executive board on 19th November 2018. The detailed provisional Capital Programme (Appendix B) was then endorsed for consultation by Executive Board on 17th December 2018 and has subsequently been presented to the Policy and Resources Scrutiny Committee on 11th January 2019 to seek their views on the five year proposals. The relevant minute of the Committee meeting is appended (Appendix A) for review and comprehensive feedback on the wider consultation is detailed within the Revenue Budget report which is being presented to the same meeting.

## **3. FUNDING**

- 3.1. The final settlement which has recently been received from the Welsh Government (WG) indicates capital funding of £11.421m for the Authority in 2019-20. This is made up of Supported Borrowing of £5.868m and General Capital Grant of £5.553m. Included within the General Capital Grant of £5.553m is £1.983m of additional General Capital funding referred to in point 3.5 below.
- 3.2. The level of capital receipts funding included within the programme has been revised in line with latest estimates. General capital receipts of £9.642m are forecast over the 5 year period. In addition a further £0.488m of earmarked education receipts is expected from the sale of redundant school buildings. It should be noted that there may be a need to amend future capital programmes if there is a shortfall in expected receipts.
- 3.3. 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 £45m of reserve funding is included over the five years of this programme.
- 3.4. Within the Modernising Education Programme (MEP) additional resources have been approved in recent years for the Band A 21<sup>st</sup> Century Schools projects. (This was in response to a request by the WG to bring forward their Band A projects). 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.

WG have recently announced the approval of the Band B programme running from 2019 to 2026, with an estimated programme value of £129.5m for Carmarthenshire. This will require a Local Authority (LA) contribution in the region of £36.5m capital funding of which £23m is allocated within the programme to 2024. Recently the WG announced an increase to their contribution level towards the Band B projects with the new rate being 65% and the County Council's contribution rate now being 35%. For Special Schools the WG contribution rate has increased to 75% of scheme costs.

The £129.5m allocation includes £25m for the Mutual Investment Model (MIM) projects for which the LA is required to contribute 25% 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 would be funded through a revenue contribution of up to 25% and WG grant funding of 75%. 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.

- 3.5. On the 20<sup>th</sup> November 2018 Welsh Government announced proposals for additional funding for local authorities. Within this announcement the then Cabinet Secretary identified an additional £100m general capital grant over a 3 year period, this being phased £50m 2018/19, £30m 2019/20, £20m 2020/21. On the 10<sup>th</sup> January Welsh Government confirmed the amount of this additional funding for us as an Authority, and it equates to £6.6m., this has now been included within the proposed capital programme funding. The council's additional allocation per year is as follows, £3.298m in 2018/19, £1.983m in 2019/20 and £1.319m in 2020/21.
- 3.6. 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 £128m.

#### **4. CAPITAL PROGRAMME 2019/20 TO 2023/24**

- 4.1. When the capital programme was approved at County Council on 21st February 2018 it was fully funded apart from the 4th year (2021/22) that showed a shortfall of £1.462m. This shortfall was subsequently addressed during the closure of the 2017-18 accounts.
- 4.2. As part of the compilation of the proposed Capital Programme a review of the years 2019/20 to 2022/23 has been undertaken and new expenditure/schemes have been proposed for the 5<sup>th</sup> Year 2023/24. 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

##### **Community Services**

- 4.3. Within Community Services a commitment was made previously for continued developments at Pembrey Country Park, Carmarthen Museums Collections and Park Howard museum.
- 4.4. A further £700k has been allocated in 2020/21 for the upgrading of Amman Valley Leisure Centre.
- 4.5. In 2023/24 within Private Sector Housing, funding is provided for Disabled Facility Grants £2m. An additional £200k was also allocated to Disabled Facility Grants in 2019/20.

## **Environment**

- 4.6. For 2023/24 further allocations to existing rolling programmes of work are included such as Highway Improvements £600k, Bridge Maintenance £400k and Road Safety Improvement £250k.
- 4.7. Highway Maintenance has been successful in securing £1.5m additional Welsh Government grant for 2018/19, 2019/20 and 2020/21 through a Road Refurbishment Grant. The 2019/20 and 2020/21 will directly benefit this proposed capital programme.
- 4.8. An additional £450k has been allocated to Tywi Valley Path for 2019/20.
- 4.9. A further phase of the redevelopment of the Glanamman Industrial Estate at £1m is included within the programme. The continuation and ongoing investment into Capitalised Maintenance of £3m is proposed for 2023/24.
- 4.10. The 5 year Fleet Replacement Programme for £9.275m 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.

## **Education and Children**

- 4.11. In the Education and Children capital programme the MEP includes the continuation of the Band A 21<sup>st</sup> Century Schools improvement programme. The programme has been re-profiled to reflect updated costs and the phasing of work. Schemes are funded jointly by Welsh Government grant and the Authority.
- 4.12. Further funding has been allocated for the next stage of the 21<sup>st</sup> Century Schools improvement programme – Band B. £23m has been earmarked from County Council resources to match fund this investment. The councils investment will attract £47m of Welsh Government match funding based on a 65% grant for schools and a 75% grant for special school.

Welsh Government have recently approved a programme of schemes totalling £129.5m for Carmarthenshire, which includes Capital Grant funding and the Mutual Investment Model.

The Mutual Investment Model looks at life cycle cost over a 25 year period, and will be delivered with a Welsh Government partner. The model currently being developed by the Welsh Government council has identified 3 schemes that are likely to be delivered by this model. However as clarity is provided by Welsh Government, these schemes may change with other Band B proposals. The match funding available for the MIM programme currently is at an intervention rate of 75%.

## **Chief Executive**

- 4.13. IT services have £2.2m allocated across the programme. Priority of projects is to be reviewed by the service to ensure that the authority's needs are managed.

## **Regeneration**

- 4.14. Transformation Strategy Project Fund has been allocated £1.5m for 2023/24, along with allocations made in February 2018 for 2019/20 for Rural Enterprise Fund of £1m and the Commercial Property Development Fund £1.5m to meet demand on existing grant schemes for 3<sup>rd</sup> party business's and commercial developments to create new employment opportunities and encourage economic growth.
- 4.15. Included within Regeneration (City Deal) is a budget of £6.918m for the Llanelli Area Review. This budget will be used in conjunction with the £82k allocated in previous years. Thereby the total budget for this scheme still stands at £7.0m and will form part of the council's contribution to the Wellness village.
- 4.16. Also included within the Regeneration (City Deal) is a budget of £16.470m for Llanelli Leisure Centre. This budget will be used in conjunction with the £30k allocated in previous years. Thereby the total budget for this scheme still stands at £16.5m and will form part of the council's contribution to the Wellness village.
- 4.17. The Capital Programme includes the proposed expenditure on the 2 Capital City Deal Projects that are funded by WG. This expenditure, whilst being incurred by the Authority will be repaid to the Authority over a 15 year period by Welsh Government. 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 (CC revenue budget currently does not include any funding for these interest payments). The 2 Capital projects the Authority will deliver are the Wellness Village at £40m with current forecasted expenditure being profiled £20m for 2019/20, £19.6m for 2020/21 and £0.4m for 21/22., and Yr Egin at £5m being profiled £3m for 2018/19 and £2m for 2020/21. You will note that in Appendix B, both the £40m for the Wellness Village and the £2m for Yr Egin are reflected as External Funding.

## **5. WELLBEING OF FUTURE GENERATIONS (WALES) ACT 2015**

- 5.1. 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'

- 5.2. 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
  
- 5.3. 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
  
- 5.4. Our well-being objectives are designed to maximise our contribution to achieving the seven well-being goals of the Act.
  
- 5.5. 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.

## 6. SUMMARY

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

### Capital Programme Summary

|   | 2019/20        | 2020/21       | 2021/22       | 2022/23       | 2023/24       |
|---|----------------|---------------|---------------|---------------|---------------|
|   | £'000          | £'000         | £'000         | £'000         | £'000         |
| <b><u>Expenditure</u></b>                               |                |               |               |               |               |
| Community Services                                      | 9,014          | 2,800         | 2,550         | 2,100         | 2,000         |
| Environment   | 11,890         | 10,456        | 13,865        | 7,215         | 4,310         |
| Education & Children                                    | 36,381         | 27,820        | 16,518        | 10,543        | 2,705         |
| Chief Executive   | 1,060          | 250           | 900           | 0             | 0             |
| Regeneration  | 46,363         | 37,100        | 6,058         | 4,500         | 4,500         |
| <b>Total Expenditure</b>                                | <b>104,708</b> | <b>78,426</b> | <b>39,891</b> | <b>24,358</b> | <b>13,515</b> |
| <b><u>Grants and Contributions</u></b>                  |                |               |               |               |               |
| External Funding  | 45,599         | 50,560        | 17,925        | 10,860        | 3,200         |
| <b>Net Expenditure Funded by CCC</b>                    | <b>59,109</b>  | <b>27,866</b> | <b>21,966</b> | <b>13,498</b> | <b>10,315</b> |
| <b><u>CCC Funding</u></b>                               |                |               |               |               |               |
| Supported Borrowing                                     | 5,868          | 5,868         | 5,868         | 5,868         | 5,868         |
| Unsupported Borrowing                                   | 5,000          | 500           | 0             | 0             | 0             |
| General Capital Grant                                   | 3,570          | 3,570         | 3,570         | 3,570         | 3,570         |
| General Capital Grant (3 year allocation of £6.6m)      | 5,281          | 1,319         | 0             | 0             | 0             |
| Capital Receipts  | 7,130          | 1,500         | 1,500         | 0             | 0             |
| Capital Reserves  | 23,624         | 8,393         | 48            | 80            | 627           |
| Additional Borrowing – MEP                              | 4,987          | 0             | 0             | 0             | 0             |
| Prudential Borrowing - Fleet Replacement                | 549            | 366           | 6,380         | 1,980         | 0             |
| MEP Reserve/DRF   | 0              | 5,750         | 4,000         | 2,000         | 250           |
| Joint Venture Funding Llanelli Leisure Centre           | 2,500          | 0             | 0             | 0             | 0             |
| Direct Revenue Funding                                  | 600            | 600           | 600           | 0             | 0             |
| <b>Overall Net Position : Surplus (+) / Deficit (-)</b> | <b>0</b>       | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      |

- 6.1. To summarise the overall position, the capital programme is fully funded for the 5 years from 2019/20 to 2023/24, based on the Authority's estimated projection of funding.
- 6.2. The total cost of the programme is £261m of which £133m is to be funded by the County Council and £128m is funded from external grants and contributions.
- 6.3. The full detail of the proposed five year capital programme is attached in Appendix B.

## **7. REVENUE IMPLICATIONS**

- 7.1. No revenue implications have been validated within the revenue budget and if funding is required, departments will need to find resources from within their existing budgets.

## **8. RECOMMENDATIONS**

- 8.1. That Executive Board consider and recommend to County Council:

8.1.1 The five year Capital Programme and funding as detailed in Appendix B, with 2019/20 being a hard budget and 2020/21 to 2023/24 soft/indicative budgets.

8.1.2. That the programme be reviewed, as is usual, if anticipated External or County Council funding does not materialise

8.1.3 That the Capital Strategy (appendix C) be approved.