

REPORT OF DIRECTOR OF CORPORATE SERVICES

EXECUTIVE BOARD

18th JANUARY 2021

FIVE-YEAR CAPITAL PROGRAMME – 2021/22, 2022/23, 2023/24, 2024/25 and 2025/26

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1. INTRODUCTION

- 1.1. The report provides members with a view of the proposed five-year Capital Programme 2021/22, 2022/23, 2023/24, 2024/25 and 2025/26.
- 1.2. This report forms the basis of the budget consultation process with members and other relevant parties. Feedback from this consultation process, along with any updates on the settlement figures and grant applications, will inform the final Capital Programme budget report which will be presented to Executive Board in February 2021 and County Council in March 2021.
- 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.

2. BACKGROUND

- 2.1. Last year the authority agreed a fully funded five-year capital programme 2020/21 to 2024/25 which was approved at County Council on 3rd March 2020.
- 2.2. 2020 was an unprecedented year. The response to the Covid-19 pandemic has given rise to the need to reprioritise our capital strategy and capital programme to reflect the desire to boost local businesses and local economies. Given the significant pressures on budgets it has been necessary to make capacity in the current five-year capital programme to enable any new priorities to be accommodated and for new projects to go ahead. The capital

programme was revisited by the Strategic Assets Steering Group (SASG) and the Corporate Management Team. Departments also submitted proposals for new urgent projects for the programme. Projects have been assessed and prioritised with only the highest priorities being included in the programme (due to available funds). Officers in analysing the capital programme have flagged projects that are not contractually committed and which could be stopped, re-phased or down-sized.

- 2.3. The proposed capital programme is attached in Appendix A and shows the anticipated expenditure and sources of funding over the five year period.
- 2.4. The proposed Capital Programme and Funding is based on Welsh Government's (WG) Provisional Settlement. The Final Settlement is particularly late this year, mainly due to the timing of the Comprehensive Spending Review. The Final Settlement is due on 2nd March and it should be noted that whilst no changes are expected, should there be any amendments in the funding figures issued by Welsh Government (WG), that Executive Board will be asked to delegate to the Director of Corporate Services to adjust the programme accordingly, in liaison with the Chief Executive, Leader and Executive Board 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, for example, transport grants, again in consultation with the same.

3. PRIORITIES

- 3.1. The current Corporate Strategy for 2018-2023 (refreshed June 2019) 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.
- 3.2. The proposed capital programme of £242m over the five 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. As part of the response to the Covid-19 pandemic, officers have developed a programme of business initiatives to help regenerate local towns and boost their economies. These are accommodated in year 1 of the proposed programme.

The key investments within the programme are:

	£m
Schools	80
Housing (Non HRA)	10
Leisure & Culture	3
Regeneration	93
Regeneration Covid Response	4
ICT	4
Environment	48

4. FUNDING

The provisional settlement received from the Welsh Government (WG) allocated capital funding of £11.866m for the Authority in 2021/22. This is made up of Unhypothecated Supported Borrowing of £5.925m and General Capital Grant of £5.941m. In 2020/21 the General Capital Grant included an additional award of £1.3m which was not guaranteed to continue. The additional amount has now been consolidated into the annual award. The main capital allocation for the County has increased by £32k on 2020/21.

Recognising the experience of recent years 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 maintained for future years.

- 4.1. The level of capital receipts funding included within the programme has been revised in line with latest estimates. General capital receipts of £5.2m 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.
- 4.2. 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 £47m of reserve funding is included over the five years of the programme. £1m of this reserve funding is from the Resetting Services (Post Covid 19) Reserve.
- 4.3. 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 been 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 funded 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.

- 4.4. 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 £73m. There is also £46m of funding for the City Deal Projects
- 4.5. As part of the provisional annual settlement from Welsh Government, funding was made available on an all Wales basis for the following areas:
 - Public highway refurbishment grant - £20m. We have assumed an award of £1.498m based on last year's allocation.
 - Local Transport Fund and Resilient Roads Funds – Carmarthenshire will bid for funding from these grants and any successful awards will be added to the capital programme in due course.
 - Ultra-low Emissions Vehicles Transformation - £28m. Carmarthenshire will be bidding for projects under this funding.
- 4.6. As per the Medium Term Financial Plan it is proposed that £1m in the form of direct revenue funding will be put towards the Covid-19 response package, which is deemed essential to assist with economic regeneration.

5. CAPITAL PROGRAMME 2021/22 TO 2025/26

- 5.1. When the capital programme was approved at County Council on 3rd March 2020 it was fully funded. The new capital programme again remains fully funded, however, it should be noted that cumulatively years 4 and year 5 have additional funding capacity of £4m to be allocated. This will be reviewed and prioritised as future programmes are developed.

Community Services

- 5.2. Within Community Services the capital programme material investments have been made in leisure in recent years. This year there is an ongoing commitment to cultural services.
- 5.3. The most significant of these is a £1.9m investment into Oriol 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.
- 5.4. In 2025/26 within Private Sector Housing, further funding is provided for Disabled Facility Grants £2m.

Environment

- 5.5. For 2025/26 further allocations to existing rolling programmes of work are included such as Highway Improvements £600k, Bridge Maintenance £400k and Road Safety Improvement £250k.
- 5.6. Council funding on Highway Maintenance will continue to be bolstered in 2021/22 through a Road Refurbishment Grant provided by WG of £1.498m.
- 5.7. £1m is allocated for urgent works to the Trebeddrod reservoir in Llanelli in recognition of our responsibilities under the Reservoir's Act 1975.
- 5.8. £300k is made available to realign the coastal path at Morfa Bacas because of erosion. This ensures that the path will continue to be available for residents to enjoy.
- 5.9. £800k is committed to the upgrade of public highway lighting columns. £400k in 2024/25 and £400k in 2025/26, this will be the start of a longer term rolling programme.
- 5.10. £300k is made available for the upgrade of farm slurry infrastructure on Council owned sites in year 4, following new Welsh Government regulations.
- 5.11. Significant investment, over £2m, has already been made in the Towy Valley Path with the council's resources being match funded by approximately £1.6m from the Welsh Government. Whilst the Authority remain firmly committed to this project, external funding, which is required for this project, has been difficult to secure, as such it is suggested that the council reduce its own funding commitment until such time as further Welsh Government support becomes available.
- 5.12. Significant investment has also been made in road safety. Funding at £250k per year will continue in this area, although this is some £225k lower over the five years than in previous programmes.

This funding will be diverted to support the economic stimulus package.

5.13. Recognising the backlog of works across the council's operational estate, it has been possible to make the following additional allocations:

- £2.5m was provided across the five years of the previous programme to complete essential works to County Hall, including upgrades to alarm systems and other mechanical and electrical works, a further £500k is awarded and the works accelerated to years 1 and 2 of the programme.
- An additional £700k is provided for health and safety works to Ty Elwyn bringing the total investment to £1.2m.
- The provision for capital maintenance across our wider estate has been revisited. It is proposed to continue investment in Capitalised Maintenance at £15.4m across the programme instead of the £16.5m in the previous programme. The funding being repurposed to provide investment in a regeneration package to help the local economy in response to the Covid-19 pandemic.

5.14. A five-year Fleet Replacement Programme for £11.5m 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

5.15. In the Education and Children Services 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.

5.16. The MEP programme continues to include schemes to a total value of £25m which will be supported through the MIM funding approach.

Chief Executive

5.17. ICT services are crucial to our future ways of working, therefore, the £3.7m allocated across the programme is maintained. This includes annual funding of £200k to support digital transformational projects across council services, aligned with the council's TIC work programme. The County Council will also see the benefit of the Swansea Bay City region Digital Project across the County.

Regeneration

- 5.18. The Transformation Strategy Project Fund has been allocated a further £1.5m of County Council funding for 2025/26, with the expectation that this will lever in a further £3m in external monies.
- 5.19. In recognition of the Climate Emergency declared in 2019/20 £500k was allocated to decarbonisation projects in the previous programme. This funding will now be utilised to provide a fund for third party grants to businesses, throughout the county, to support renewable energy initiatives to reduce their carbon footprints. It is hoped that this will act as a catalyst for further private sector investment in this area.
- 5.20. 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 Pentre Awel Wellness Project.
- 5.21. An economic stimulus package of £3.7m to support local business in response to the Covid-19 pandemic has also been identified as a priority as the County moves forward and recovers from the Pandemic, this has been included in the provisional programme and is designed to support the local economies throughout the county, it includes:
- £1.2m Targeting Regeneration investment.
 - £1m Commercial Property Development Fund.
 - £1m Ten Towns Growth Plan – Supporting businesses in the counties satellite towns.
 - £500k towards the Rural Enterprise fund.

This has been accommodated by reprioritising other projects within the capital programme, as mentioned above, and repurposing the funding and from the additional funding from the Welsh Government. A comprehensive breakdown of the economic stimulus package is detailed in Appendix B.

Also included within the Regeneration (City Deal) is the budget for Llanelli Leisure Centre. This budget includes funding from a trust (£1m), towards a Hydrotherapy Pool and links in the with Joint Venture support from the Llanelli Coast JV project.

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 to 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 Pentre Awel and Yr Egin.

Development of Pentre Awel will require upfront investment 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.

The County Council will also have an input into the Regional Projects of the Swansea Bay City Region.

Reserve Projects

5.22. There remains a large number of schemes on the reserve list, which were presented as part of the previous budget setting process, which it has again not been possible to provide funding for at this time. Projects on this list include:

- Additional investment into highways maintenance & infrastructure.
- Investment in waste treatment infrastructure changes to facilitate future service changes
- Additional funding required to complete the Tywi Valley Path
- Additional Disabled Facilities Grants annual allocations
- Wider investment into Leisure and culture facilities.
- 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.

6. WELLBEING OF FUTURE GENERATIONS (WALES) ACT 2015

6.1. 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’

- 6.2. 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

- 6.3. 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

- 6.4. Our well-being objectives are designed to maximise our contribution to achieving the seven well-being goals of the Act.

- 6.5. 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.

7. SUMMARY

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

CAPITAL PROGRAMME SUMMARY					
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>					
Community Services	6,675	2,000	2,000	2,000	2,000
Environment	19,247	8,181	5,376	5,776	5,776
Education & Children	33,651	29,632	13,897	3,020	280
Chief Executive	2,451	485	465	1,657	200
Regeneration	65,069	18,600	4,500	4,500	4,500
Total Expenditure	127,093	58,878	26,238	16,953	12,756
<u>Grants and Contributions</u>					
External Funding	63,239	35,682	12,460	5,035	3,000
Net Expenditure Funded by CCC	63,854	23,196	13,778	11,918	9,756
<u>CCC Funding</u>					
Non-hypothecated Supported Borrowing	5,925	5,925	5,925	5,925	5,925
Unsupported Borrowing	500	0	0	0	0
Prudential Borrowing - Fleet	6,534	1,980	1000	1000	1000
General Capital Grant	5941	5941	5941	5941	5941
Capital Receipts	1,717	0	0	0	0
Capital Reserves	36,799	9,334	896	0	0
Joint Venture Funding Llanelli Leisure Centre	3,500	0	0	0	0
Direct Revenue Funding	1,616	16	16	16	16
Economic Stimulus Grant	1,322	0	0	0	0
Overall Net Position: Surplus + / Deficit (-)	0	0	0	964	3,126

- 7.1. To summarise the overall position, the capital programme is fully funded for the 5 years from 2021/22 to 2025/26, with a potential funding surplus in Years 4 and 5 of the proposed programme.
- 7.2. The total cost of the programme is £242m of which £119m is funded from external grants and contributions.
- 7.3. The full detail of the proposed five-year capital programme is attached in Appendix A.

8. REVENUE IMPLICATIONS

- 8.1. Whilst in recent years (up to 2019/20), no revenue implications have been validated within the revenue budget, this approach is now considered not sustainable indefinitely into the future. The

draft revenue budget strategy 2021/22 to 2023/24 allows for £400k increased revenue budget implications each year.

9. RECOMMENDATIONS

- 9.1 That Executive Board notes the content of this report and endorses it as a provisional capital programme for consultation purposes, including consideration by the Policy and Resources Scrutiny Committee at its meeting on 3rd February 2021.