

REPORT OF DIRECTOR OF CORPORATE SERVICES

CABINET

17th JANUARY 2022

FIVE-YEAR CAPITAL PROGRAMME – 2022/23, 2023/24, 2024/25, 2025/26 and 2026/27

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1 INTRODUCTION

- 1.1. The report provides members with a view of the proposed five-year Capital Programme 2022/23, 2023/24, 2024/25, 2025/26 and 2026/27.
- 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 Cabinet in February 2022 and County Council in March 2022.
- 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 2021/22 to 2025/26 which was approved at County Council on 3rd March 2021.
- 2.2. 2021 was another 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 remains our focus in the coming years and coupled with the UK Government's levelling up funding will see significant investments to boost the Carmarthenshire economy. Following a particularly disappointing capital provisional settlement from the Welsh Government, which reduced by over £1.8m unhyponothecated capital funding, we will bring forward plans to increase borrowing to support our plans. The capital programme was revisited by the Strategic Assets Steering Group (SASG) and the Corporate Management

Team. Departments also submitted proposals for new and urgent projects for the programme. Projects have been assessed and prioritised with only the highest priorities being included in the programme.

- 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, received on 21st December 2021. This year the capital funding across Wales is reduced from £177m in 2021/22 to £150m for 2022/23. For Carmarthenshire this means a reduction in funding from £11.866m to £10.037m, some £1.829m. This reduction has caused an unexpected shortfall in our funding for the first year of the programme. Capital funding returns to higher levels at £180m across Wales from 2023/24 and is supplement with further funding specifically for decarbonisation projects. The programme reflects this funding. The Final Settlement, is due in March, should there be any amendments in the funding figures that Cabinet will be 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, 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 and Levelling Up funding.
- 3.2. The proposed capital programme of £269m 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. Including the delivery of the £82m Pentre Awel development which includes a £27m leisure centre element in Llanelli, the £19m Tywi Valley Path between Carmarthen and Llandeilo, the new £20m Town Centre Hub in Carmarthen, and upgrades to the community sport facilities in Ammanford.

The key investments within the programme are:

	£'m
Schools	73
Housing (Non HRA)	11
Lesiure & Culture	2
Regeneration	39
Swansea City Deal Region	74
ICT and Property	4
Environment	66

4. FUNDING

The provisional settlement received from WG allocated capital funding of £10.037m for the Authority in 2022/23, made up of Non-hypothecated Supported Borrowing of £5.942m and General Capital Grant of £4.095m. This is a £1.829m reduction from the 2021/22 award and has caused an unexpected shortfall in our funding for the year. It returns to £12.044m in years two to five of the programme and is also supplemented by a further £1.3m per annum for decarbonisation projects, based on figures provided in the provisional settlement.

- 4.1. The level of capital receipts funding included within the programme has been revised in line with latest estimates. Capital receipts of £3.5m 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 years' reports and were included as funding for the current capital programme. In total some £36.5m of reserve funding is included over the five years of the programme.
- 4.3. 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 funding will be dependent on the ongoing MEP review which will be presented in a future report. The ongoing MEP review was agreed at a recent meeting of the cabinet.
- 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 £150m which includes £52m for City Deal projects and £33m for Levelling Up 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:
 - Active Travel Fund, Local Transport Fund, Road Safety and Safe Routes in Communities - £94m for 2022/23. 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 - £15m. Carmarthenshire will be bidding for projects under this funding, all-be-it this appears to have dropped from 2021-22.
- 4.6. 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. The grant in previous years received by Carmarthenshire was £1.5m and £2m respectively.
- 4.7. Given our significant investments in years 1 and 2 of the programme and the reduced capital settlement from WG we propose to make use of unsupported borrowing, short-term, to prevent what would otherwise be a shortfall in funding at the start of the programme. This will be repaid in years 3, 4 and 5 of the programme where funds are available.

5. CAPITAL PROGRAMME 2022/23 TO 2026/27

- 5.1. When the capital programme was approved at County Council on 3rd March 2021 it was fully funded. The new capital programme again remains fully funded over the five-year period.

Community Services

- 5.2. 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.
- 5.3. 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.
- 5.4. In 2026/27 within Private Sector Housing, further funding is provided for Disabled Facility Grants of £2.5m. In recent years £2m has been awarded annually in this area so the additional £500k accounts for inflationary pressures.

Environment

- 5.5. For 2026/27 further allocations to existing rolling programmes of work are included, namely Highway Improvements £600k, 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 order to mitigate the effects of the removal of this funding from WG we propose to make available, from the council's own reserves, £1m to fund highways in 2022/23. This is in addition to our annual commitment of £600k already mentioned. We will work with the WG in the hope that funding towards this important strategic county asset of highways can be restore in future years.

- 5.6. 2026/27 also sees the continuation of the £66k annual allocation to Rights of Ways and Byways, in recognition of our obligations in this area and the wider community health and environmental benefits provided by these valuable resources.
- 5.7. Last year, as part of the reprioritisation of capital resources, funding for the Tywi Valley Path project was repurposed towards measures to stimulate the economy following the Covid-19 pandemic because of the project's lack of external grant funding. However, at the time a commitment was given that if grant funding did become available that we would seek to restore our match funding for this project. Therefore following an award of grant of £16.8m from the UK Government's Levelling Up Fund, £1.9m is awarded to deliver this project. A major investment which will bring significant benefits to the rural economy and improvement to health and wellbeing, and which delivers on our commitment to restore funding should grant funding be forthcoming. This will be funded by unsupported borrowing. In addition £366k is made available to upgrade parking provision for the Tywi Valley Path, making it more

accessible to a wider number of commuters, families, visitors and walking and cycling enthusiasts of all abilities; making it a truly landmark community resource.

- 5.8. New funding for flood risk management of £75k per annum is made available to match external grants in years 1 and 2 of the programme.
- 5.9. An annual allocation of £250k is established for highways drainage, which will help to make a highway network more resilient to future weather events and reduce flood risks.
- 5.10. Significant investment continues to be main available to the upkeep and refurbishment of the County's estate.
 - Recognising the backlog of works across the council's operational estate, last year specific monies were made available for works at County Hall, £2.5m, and Ty Elwyn bringing the total investment to £1.2m. These works continue, alongside £300k for county farms slurry infrastructure.
 - In addition in 2026/27 it is proposed to continue the annual allocation towards Capital Maintenance across the county estate at £3m. (£14.7m 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 and await the outcome and recommendations of Better Ways of Working review.
- 5.11. £4.7m for refuse and recycling vehicle replacement is included, together with an additional £1m from reserves as the Authority's match funding contribution to our Waste Strategy which will see the rollout of kerbside sorting for recycling collections. It is hoped that this project will attract significant funding from WG 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 our local, national and global commitment to Net Zero Carbon.
- 5.12. A five-year Fleet Replacement Programme for £6.5m, 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.
- 5.13. 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 have assumed that this will be a proportional allocation per authority on the same basis as the General Capital Grant and that Carmarthenshire's allocation will therefore be £1.34m per year. Funding for the same is included in the programme. Given that the WG funding for decarbonisation is only available from 2023/24 we propose to supplement this programme with £500k from our own resources, set aside from the forecast underspends in 2021/22, in the coming financial year to accelerate decarbonisation measures across the authority's estate in response to the climate emergency. This is in addition to investments in recent years in retro-fitting some of our

buildings through the re-fit Cymru Project and £500k awarded for grants to private business throughout the county to introduce renewable energy measures.

Education and Children

- 5.14. 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.
- 5.15. As referenced earlier in the report a review of the MEP programme is being undertaken and this will influence the programme and priorities for delivery in future years. Amendments to the capital programme will be reported and incorporated upon completion of the review.
- 5.16. The MEP programme continues to include schemes to a total value of £25m which will be supported through the MIM funding approach.
- 5.17. It is proposed to setup a general education fund of £500k per annum to fund ongoing pressures on the education budget including: Equalities Works, Health and Safety measures, mobile classroom provision. It is proposed to fund this budget from within the already approved MEP funding.
- 5.18. £580k is awarded in 2022/23 to complete the new Bus Bays at Ysgol Dyffryn Taf, reflecting the urgency of the health and safety concerns of the current bus bay provision.

Chief Executive

- 5.19. ICT services are crucial to our future ways of working, therefore, the £2.7m allocated across the programme is maintained. This includes annual funding of £200k 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

- 5.20. £3.75m is made available to match fund a Levelling Up grant of £15.86m the new Carmarthen town centre hub. A new community resource, in partnership with healthcare and education providers. It will also see a new home of the county's art collections currently unseen by the public, and a new fitness suite – for the final fitout of which a further £402k is made available. This development will bring footfall back to the town centre and be a catalyst for the regeneration and revitalisation of West Wales' premier town centre shopping destination.
- 5.21. Included within the City Deal budget is the Pentre Awel project (Zone 1) 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 is £82m with the funding provided via City Deal (£40m), County Council finances, Llanelli Waterfront JV, and external market funding.

The project will also include 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, when costs are finalised, will be 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.

- 5.22. The Pentre Awel development also provides for an assisted housing development programme, in Zone 3, which is part of the HRA capital programme.
- 5.23. It should be noted that within the City Deal is the budget for the new Llanelli Leisure Centre at £27m, £1.7m of which is new funding from reserves and £7m previously reported as the Llanelli Area Review.
- 5.24. The County Council will also have an input in the regional projects delivered by the Swansea Bay City Region given its role as lead body.

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 assesses 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						
	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>						
Community Services	2,970	3,042	2,300	2,000	2,500	12,812
Environment	21,163	22,782	7,610	7,481	6,364	65,400
Education & Children	50,362	17,435	3,366	1,476	500	73,138
Chief Executive	1,755	465	1,657	200	200	4,277
Regeneration	68,595	33,801	4,500	6,294	201	113,391
Total Expenditure	144,844	77,525	19,433	17,451	9,765	269,018
<u>Grants and Contributions</u>						
External Funding	92,595	48,338	5,035	4,000	0	149,968
Net Expenditure Funded by CCC	52,249	29,187	14,398	13,451	9,765	119,050
<u>CCC Funding</u>						
Non-hypothecated Supported Borrowing	5,942	5,942	5,942	5,942	5,942	29,710
Unsupported Borrowing	5,648	1,406	-500	-1,947	-4,607	0
Prudential Borrowing - Fleet	1,980	7,250	1,000	1,000	0	11,230
General Capital Grant	4,095	6,102	6,102	6,102	6,102	28,503
Decarbonisation General Capital Grant	0	1,338	1,338	1,338	1,338	5,352
Capital Reserves	32,386	3,133	0	500	500	36,519
Joint Venture Funding Llanelli Leisure Centre	0	3,500	0	0	0	3,500
Direct Revenue Funding	2,198	516	516	516	490	4,236
Overall Net Position: Surplus + / Deficit (-)	0	0	0	0	0	0

7.1. To summarise the overall position, the capital programme is fully funded for the five years from 2022/23 to 2026/27.

7.2. The total cost of the programme is £269m of which £150m 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. The revenue budget strategy in 2022/23 allows for a £400k increase in the revenue budget implications of the capital programme.

9. RECOMMENDATIONS

9.1 That Cabinet 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 2nd February 2022.