

REPORT OF DIRECTOR OF CORPORATE SERVICES

CABINET

19TH February 2024

**FIVE-YEAR CAPITAL PROGRAMME – 2024/25, 2025/26, 2026/27,
2027/28 and 2028/29**

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1 INTRODUCTION

- 1.1. The report provides members with a view of the proposed five-year Capital Programme 2024/25, 2025/26, 2026/27, 2027/28 and 2028/29.
- 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 Corporate Performance and Resources Scrutiny Committee meeting, the capital programme has been amended to give additional support for flood mitigation and rural estates.
- 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.

2. CONSULTATION

- 2.1. The detailed provisional capital programme (Appendix A) was presented to the Corporate Performance and Resources Scrutiny Committee on 31st January 2024 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 2023/24 to 2027/28 which was approved at County Council on 1st March 2023.
- 3.2. In recent years we have faced multiple challenges from rising costs, and reductions in government funding in real-terms, which remain as we look to prioritise our spending in 2024/25 and beyond. The truth is that the council has never faced the pressures on budgets that we currently face. In June 2023 the annual rate of construction output price growth (inflation) was 4.6%, a year earlier it was 10.4%. Compounded, this has had a significant effect on the costs of existing projects and therefore our ability to fund new projects. Some new funding, already approved, to fund pressures on existing projects within the current programme is reflected in the new programme, however, given the significant cost pressures on the revenue budgets, and the need to make some significant match funding contributions, no expressions of interest for new projects have been invited. This will enable projects already approved to be completed without putting additional pressures on resources. The allocation of the rolling programme of works within the capital programme continues to be supported across all five years.
- 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 20th December 2023. This year general capital funding across Wales has been confirmed at £180m for 2024/25 the same as provided for 2023/24. For Carmarthenshire this means an allocation of non-hypothecated capital funding of £11.97m. This is £19k less than the allocation in 2023/24 owing to the Welsh Government formula which is based on population size. Other hypothecated capital funding grants across Wales totalling £782.342m was announced in the settlement, with funding in a number of areas to be confirmed. 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 on 27th February 2024, by which time papers will have been prepared and dispatched for the County Council meeting on 28th February. Should there be any amendments in the funding figures the Cabinet Member for Resources or the Director of Corporate Services will update members accordingly at the meeting of the Council on 28th February.

4. PRIORITIES

- 4.1. The current Corporate Strategy for 2022-2027 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 £192.9m over the five years reflects new funding to be approved, it does not include any funding relating to ongoing

projects in the current year which may slip at the end of the financial year into the 2024/25 programme. It is aimed at delivering a number of key projects that will create jobs and improve the quality of life for the people of Carmarthenshire. Following our declaration of a climate emergency in February 2019 decarbonisation is a priority for the Authority and design briefs for new projects will include an emphasis on carbon efficiency.

The key investments within the programme are:

	£'m
Schools	64
Housing (Non HRA)	12
Lesiure & Culture	2
Regeneration	34
Swansea City Deal Region	16
ICT and Property	22
Place and Infrastructure	43

5. FUNDING

The provisional settlement received from WG allocated capital funding of £11.97m for the Authority in 2024/25, made up of non-hypothecated supported borrowing of £5.905m and General Capital Grant of £6.065m. An assumption that this general funding support will be maintained for the five years of this programme has been made. The use of earmarked reserves was approved as part of previous years' reports and are included as funding for the current capital programme. In total £22.7m of reserves and direct revenue funding is included over the five years of the programme.

- 5.1. The existing levels of investment into the schools estate programme has been boosted slightly with additional funds however there is a realisation that further additional funding will be needed in future years to deliver the whole modernisation of schools programme. In the current financial climate this will be a significant challenge, especially taking account of the other county council capital priorities.
- 5.2. 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 £71.8m. which includes City Deal, Levelling Up projects and anticipated schools grants.
- 5.3. As part of the provisional annual settlement from Welsh Government, funding was made available on an all Wales basis for transport based projects, namely: Active Travel Fund, Local Transport Fund, ULEV, and Safe Routes in Communities totaling £98.9m for 2024/25. Carmarthenshire will bid for funding from these grants and any successful awards will be added to the capital programme in due course.
- 5.4. It is again disappointing to note that specific highways improvement grant funding was omitted from the Welsh Government settlement, this will have a significant impact on our ability to reduce the backlog in highways maintenance works.

- 5.5. It is proposed to support the new programme by the use of £4.5m capital receipts from the sale of assets. Given the current economic environment forecasting capital receipts has become unpredictable recently. Funding from this source is, therefore, only included from already crystallised receipts or from sales that are highly probable. Use of further receipts will be monitored during the year and adjustments made if additional receipts become available.

6. CAPITAL PROGRAMME 2024/25 TO 2028/29

- 6.1. When the capital programme was approved at County Council on 1st March 2023 it was fully funded. The new capital programme again remains fully funded over the five-year period, however, it is proposed to marginally undercommit in the later years of the programme 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 this continues with the ongoing development at Oriol Myrddin which has been awarded additional funds both from the authority and Arts Council for Wales. This project shows our commitment to investing in the arts and such an important cultural hub within Carmarthen town centre which will also further regenerate the Old Town Quarter and increase footfall to this area.
- 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. (See 6.27)
- 6.4. Shared Prosperity Fund grant of £472k has been secured for a new amenity block at Pembrey Country Park campsite.
- 6.5. In 2028/29 within Private Sector Housing, further funding is provided for Disabled Facility Grants of £2.5m as part of our annually supported programme of investments.

Place and Infrastructure

- 6.6. For 2028/29 further allocations to existing rolling programmes of work are included for highways and structures, namely Highway Improvements £600k, Highway Drainage £250K, Bridge Maintenance £400k, Road Safety Improvement £250k, public lighting £400k, Llanelli multi storey carpark £60k.
- 6.7. It is proposed to allocate £200k towards flood mitigation measures in year three of the programme. This coupled with the £800k in years one and two takes our funding to £1m. It is also proposed to commit to regularly reviewing this important area and bringing forward projects for inclusion in future capital programmes.

- 6.8. Disappointingly, no award was made for Highways Refurbishment or Resilient Roads funding as in previous years, however, given the importance of the our highways network to the economy of the county, it is proposed to make £1.4m funds available in 2024/25 from council resources. This is a 40% increase on the monies made available by us in 2023/24, and comes on top of the £600k awarded as part of the annual programme. A total of £2m from council resources for highways improvements.
- 6.9. 2028/29 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.
- 6.10. As part of our commitment to decarbonisation and to improve recycling and circular economy facilities within the county, which will also serve the wider West Wales Region, a £10m loan facility is to be made available over 2024/25 and 2025/26 to CWM Environment Limited to develop its site at Nantycaws. £250k is also included in 2024-25 from council funding as a match funding resource to attract anticipated external decarbonisation grant funding.
- 6.11. £5.5m is provided for the ongoing fleet replacement programme, which will see the replacement of highway gritters and social services mini buses amongst others. Also included is a programme for the replacement of waste and recycling collection vehicles totalling £14.7m, £5.7m council funding and £9m external grants. The project will see a transition of the council's fleet towards the wider use of Electric Vehicles. The council funding for this capital spend will be provided directly from revenue budgets of the service users via prudential borrowing and, therefore, both projects are included subject to a review of departmental service needs, and the assessment of affordability.

Education and Children

- 6.12. With the Education and Children Services portfolio, the Modernising Education Programme includes the continuation of the Welsh Government's Sustainable Communities for Learning improvement programme. Schemes are funded jointly by Welsh Government grant and the Authority.
- 6.13. £61m is included as a delivery fund for the ongoing Modernising Education Programme. This includes £21.3m of council resources which will attract £39.6m in Welsh Government funding at the current intervention rate of 65% for standard schools. This coupled with unallocated MEP delivery fund monies from 2023/24, brings the total available funds in this area to £68m. The programme is currently under review and following approval an updated list of priority projects will be submitted to the Welsh Government's Sustainable Communities for Learning Rolling Programme.
- 6.14. Individual investment projects will be identified and assigned funding in due course, following an application and approval process to the Welsh Government for grant funding support.

- 6.15. It is proposed to award a further £500k in 2028/29 to fund ongoing pressures on the education budget, namely: Equalities Works, Health and Safety measures, Mobile Classroom Provision.
- 6.16. To mitigate ongoing health and safety concerns at a number of school drop-off sites we propose to provide £850k in 2024/25 for the provision of new bus bays and traffic management projects. This is the second year of funding for a programme of works awarded £850k in 2023/24. This will be funded by MEP unsupported prudential borrowing.

Chief Executive

- 6.17. Robust, resilient and reliable Digital Infrastructure and Systems are crucial to the delivery of public services across Carmarthenshire. Given the need to maintain and enhance our digital resilience, in addition to the already £2.2m allocated to ICT in the early years of the programme, £2.4m is assigned across years 3, 4 and 5. This will be accommodated within the available supported resources in those years. It also includes annual funding of £200k per annum to support digital transformation and modernisation across council services.
- 6.18. The county council will also lead the delivery of the Swansea Bay City Region Digital Infrastructure Programme across the region, benefiting from significant capital investment across Carmarthenshire. This project will be delivered with the private sector and is 100% funded by City Deal Grants, so these are not included in this programme.
- 6.19. Significant investment will be made available for the refurbishment of the county's rural estate with £300k for county farms slurry infrastructure in 2024-25. Following consultation, consideration has been given to the ongoing potential costs of operating the rural estate. It is, therefore, proposed to include £200k in the second year of the programme. As we revise the programme in future years further consideration will be given to including additional funding in this area.
- 6.20. We continue to upgrade and modernise our administrative estate. Funding already approved for inclusion in 2024/25 for works at Ty Elwyn to replace windows and restore the exterior is now reflected in the programme.
- 6.21. Following a review of assets and changes to the ways of working, we have started to downsize our estate, most notably with the leasehold sale of Parc Dewi Sant, however, our large portfolio means we still have to invest significant resources in order to maintain them, in order to deliver our services to the people of Carmarthenshire. In 2028/29 it is therefore proposed to continue the annual allocation towards Capital Maintenance across the county estate at £3m. (£15.3m across the five years.) This maintains our investment in this area. The estate may be downsized further in coming years as we aim to release further capital receipts to fund future programmes.

Regeneration

- 6.22. The work to deliver the new Carmarthen town centre hub continues. A new community resource, in partnership with healthcare and education providers. There will also be a large leisure offer and new fitness suite included within the building. This development will bring footfall back to the town centre and be a catalyst for the regeneration and revitalisation of Carmarthen town centre. Funding approved for this project by cabinet in the Autumn of 2023 is included, together with funds allocated from the Transformational Strategy Property Fund within the existing programme. This is in addition to the funding provided by the Department for Levelling Up and in-house match funding awarded to the project in previous years.
- 6.23. Llanelli Town Centre was successful in attracting Levelling Up Fund grant in the third round of awards. This funding was based on a second round application and whilst we welcome this offer of grant we are mindful that the economic environment has changed since the original bid. We will now work with the UK government to agree a viable project. This investment means that we have managed to attract Levelling Up Funding for each of our Parliamentary constituencies. £18m, £15.5m from LUF and £2.5m from council reserves will be assigned across 2024/25 and 2025/26. This development will aim to boost footfall in Llanelli town centre and compliment other regeneration projects already delivered in the town centre such as the redevelopment of the former YMCA building, and the upcoming redevelopment of Market Street North which has already been approved.
- 6.24. This project in Llanelli, the Hub in Carmarthen and our Ten Towns initiative demonstrates our continued commitment to the regeneration of our towns and town centres, large and small, across the county.
- 6.25. £5.5m of grant from the Shared Prosperity Fund is included in 2024/25 for the delivery of capital business grants across the county. This is in addition to £3.4m in 2023-24, and also compliments the wider Shared Prosperity Funding available to businesses from revenue grants.
- 6.26. 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 available in 2028/29 to match fund future regeneration schemes across the county.
- 6.27. Work is now well underway to deliver the Pentre Awel project (Zone 1), under the Swansea Bay City Region, to 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 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.

The overall cost of Zone 1 is £96.478m, which is funded as follows:

	<u>£'000</u>
City Deal Grant (net of administration costs)	39,400
CCC Capital Programme	28,198
Trust Fund	1,000
Hywel Dda University Health Board (Pool & audio)	880
Llanelli Waterfront Joint Venture	7,000
External Private Finance	<u>20,000</u>
	96,478

The structure of the City Deal grant funding means that WG expects the Authority to deliver the projects and raise the funding through borrowing which will then be repaid over a fifteen year period. We are however five years into the funding profile before the bulk of the spend is incurred so the anticipated amount to be borrowed will be less than originally anticipated. The Authority will need to accommodate the interest payments on this borrowing.

6.28. The Pentre Awel development also provides for an assisted housing development programme and a wider housing programme within Zones 2 and 3, which will be self funded.

6.29. The County Council will also have an input into other regional projects delivered by the Swansea Bay City Region, which includes Digital Infrastructure and Skills & Training (mainly a revenue programme). The county council is the lead body for these two projects. It will have an input benefit from the Homes as Power Stations project which is led by Neath Port Talbot. Given that these programmes are part of the SBCR governance, they are not included within this capital programme.

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.

Our Corporate Strategy was revised for 2022-27. Our revised Well-Being objectives are:

7.4.1 Enabling our children and young people to have the best possible start in life (Start Well)

7.4.2 Enabling our residents to live and age well (Live & Age Well)

7.4.3 Enabling our communities and environment to be healthy, safe and prosperous (Prosperous Communities)

7.4.4 To further modernise and develop as a resilient and efficient Council (Our Council)

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						
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>						
Community Services	4,192	2,000	2,500	2,500	2,500	13,692
Place and Infrastructure	17,002	17,624	2,434	2,267	4,197	43,524
Education & Children	29,493	20,857	6,214	6,214	1,500	64,278
Chief Executive	5,339	4,237	4,745	3,460	3,670	21,451
Regeneration	30,904	12,863	2,201	2,000	2,000	49,968
Total Expenditure	86,930	57,581	18,094	16,441	13,867	192,913
<u>Grants and Contributions</u>						
External Funding	36,556	27,127	3,714	3,714	650	71,761
Net Expenditure Funded by CCC	50,374	30,454	14,380	12,727	13,217	121,152
<u>CCC Funding</u>						
Non-hypothecated Supported Borrowing	5,905	5,905	5,905	5,905	5,905	29,525
Unsupported Borrowing	15,457	10,041	-900	-370	500	24,728
Prudential Borrowing - Fleet	5,786	2,758	208	241	2,171	11,164
General Capital Grant	6,065	6,065	6,065	6,065	6,065	30,325
Capital Reserves	14,025	4,404	500	0	0	18,929
Capital Receipts	436	765	2,112	1,187	0	4,500
Direct Revenue Funding	2,700	516	490	16	16	3,738
Total Internal Funding	50,374	30,454	14,380	13,044	14,657	122,909
Overall Net Position:						
Surplus + / Deficit (-)	0	0	0	317	1,440	1,757

- 8.1. To summarise the overall position, all approved projects within the capital programme are fully funded for the five years from 2024/25 to 2028/29, 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 £192.9m of which £71.8m is funded by external grants and contributions.
- 8.3. The total amount of unallocated funding is £1.75m.
- 8.4. 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 2024/25 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 2024/25 being a hard budget and 2025/26 to 2028/29 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.

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, to make any amendments necessary as a consequence of the WG final settlement due on 27th February 2024.