

**Committee: Executive Committee**  
Date of meeting: **26th September 2019**

Report Subject: **Capital Programme 2019/2020-2025/2026**

Portfolio Holder: **Cllr Daniels - Leader**

Report Submitted by: **Rhian Hayden – Chief Officer Resources**

Report Written by: **Joanne Watts – Principal Accountant**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	✓				26/9/19	26/9/19	10/10/19	

**1. Purpose of the Report**

1.1 The purpose of this report is to consider options to allocate £9.9 million of capital funding to the capital programme for the period to 2025/26 based upon a review of current available capital resources and an assumption of capital funding from Wales Government for 2024/25 & 2025/26.

**2. Scope and Background**

2.1 A revised capital programme was approved by full Council on 21<sup>st</sup> March 2019, attached as Appendix 1. This presented a full capital programme for the period 2018/2019 to 2023/2024.

2.2 This also identified that there was a balance of capital resources successfully generated over previous financial years of £2.269 million available for reallocation to the capital programme.

***Blaenau Gwent Capital Resources Available @ March 2019:***

Summary of balance	Amount £
Capital receipts availability (September 2018)	1,560,000
Proposed slippage disabled facility grants	200,000
*Forecast capital salaries slippage*	1,200,000
Unallocated funding 2022/23	152,700
Unallocated funding 2023/24	516,800
Lewis Waste (Agreed as part of Report in 2.1)	(1,100,000)
Community Asset Transfers(Agreed as part of Report in 2.1)	(110,000)
CCTV Commitment(Agreed as part of Report in 2.1)	(150,000)
<b>Total</b>	<b>2,269,500</b>

2.3 **Wales Government Capital Funding: Recent Announcements:**

The final revenue settlement for 2019/2020 announced on the 19th December 2018, highlighted an additional £1.1m general capital funding for 2018/2019, £660,000 for 2019/2020 and the likelihood of a further £440,000 being available for 2020/2021. This has resulted in a further £2.2million of capital funding being available for allocation to the capital programme.

2.4 In addition, at the end of the 2018/19 financial year Welsh Government (WG) announced there was residual funding in the Band A 21<sup>st</sup> Century Schools programme. The Council took the opportunity to approach Welsh Government in relation to providing additional funding for the Six Bells School Project. Members will recall that the Authority had sourced funding within its own capital resources for the Sewer Diversion works at the site of £1.3m. WG was approached in relation to funding these sewer works on a 50:50 basis, thereby providing the Authority with a further £650,000 funding. This funding was subsequently approved on the 15<sup>th</sup> May 2019 and has released the Council's own resources for reallocation).

2.5 **Future Assumptions:**

It is anticipated that general capital funding allocated by Welsh Government will be maintained at its usual annual levels in the future and together with an anticipated contribution from future capital receipts, it is estimated that approximately £2.5million could be available for allocation to the capital programme in each of the financial years 2024/2025 and 2025/2026 as follows:

	£
General capital grant	1,200,000
Un-hypothecated supported borrowing	1,973,000
Capital Receipts target	327,000
Less City Deal & Capital salary commitments	<u>(1,000,000)</u>
Total	<u>2,500,000</u>

2.6 The **Total Capital Resources** available for allocation is therefore:

	<b>Amount £'000</b>
Blaenau Gwent Capital Resources Available @ March 2019	2,269,500
Wales Government Capital Grant (additional):	
- 2018/19	1,100,000
- 2019/20	660,000
- 2020/21	440,000
- 21 Century Band A - Six Bells	400,000
Future Assumptions:	
- 2024/25	2,500,000
- 2025/26	2,500,000
<b>Total Available:</b>	<b>9,869,500</b>

2.7 27 potential capital projects have been identified for consideration for funding totalling £20.25 million.  
A summary table of the value of potential projects and resources available is shown below:

Period	1	2	3	
	<b>2019/20</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>
	<b>to</b>			
	<b>2023/24</b>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Value of bids</b>	10,420	5,335	4,485	20,240
<b>Available resources</b>	4,962	2,500	2,500	9,962
<b>Funding shortfall</b>	-5457	-2,835	-1,985	-10,278

2.8 There is a significant over requirement for capital resources in the five year period 2019/2020 to 2023/2024. Therefore, a prioritisation mechanism (Appendix 2) has been used as a means of ensuring that the highest priority projects can proceed.

A two stage approach to prioritisation has been utilised:-

- Stage 1 – Initial Prioritisation of Bids (by Officers)
- Stage 2 – Political Priority Ranking (by Executive Committee)

Stage 1:-

All projects were scored and prioritised/ranked (by Officers) under the following headings as follows:

- Does the project meet Corporate Priorities?
- Is the project a National Priority?
- Does the project meet a Statutory Duty?
- Does the project meet a legal/contractual commitment?
- Are any other funding sources being pursued for the project?
- Will the project generate revenue savings
- Does the project meet National Wellbeing goals/sustainable development?

Stage 2:-

The outcome of Stage 1 has been considered by Members of the Executive to determine whether the prioritisation aligns to their political priorities. The outcome of this consideration is provided at Appendix 3.

2.9 Appendix 3 summarises all of the potential projects, their associated scores and ranks based on the two stage process.

2.10 **Contingency** – Allocating all of the identified funding to the Capital programme comes with significant risks that should alternative higher priority projects be identified in future or agreed schemes exceed the approved budget the Council would need to identify alternative funding sources e.g. revenue funding, use of reserves, reprioritising projects. To mitigate the risk of this it is proposed a contingency be retained and not all of the available resources be allocated at this time.

3. **Options for Recommendation (Refer to Appendix 4)**

3.1 **Option 1 - Do Nothing**

Do not agree a revised capital programme leaving all funding unallocated.

<b><u>Advantages</u></b>	<b><u>Disadvantages</u></b>
Funding would be available for potential future schemes	A number of priority projects will be unable to be delivered

3.2 **Option 2 – Fund the highest scoring 5 projects in each period leaving the remainder for allocation / contingency at a future date.**

<b><u>Advantages</u></b>	<b><u>Disadvantages</u></b>
Delivers the highest priority projects	Limited number of priority projects funded in the medium term
This option leaves funding remaining in the future for allocation to existing projects/ additional priority projects as they may arise	

3.3 **Option 3 (Preferred Option) – A combination of paring down the schemes in period 1 (19/2020 to 23/2024 which is the most oversubscribed) by 20% to allow the funding to meet the requirements of an optimum number of schemes and allocating to the highest scoring projects in periods 2 and 3, leaving funding remaining in each period for allocation at a future date.**

<b><u>Advantages</u></b>	<b><u>Disadvantages</u></b>
Delivers the highest priority projects plus further projects to ensure an optimum number of schemes are funded	20% funding shortfall could prevent some projects from progressing
This option leaves funding remaining in the future for allocation to existing projects/ additional priority projects as they may arise	

- 3.4 The following exceptions to the 20% paring down are proposed:–  
*Community Equipment project - there is an SLA in place for a contracted amount.*  
*HWRC – the bid represents 20% of the estimated cost and assumes 80% WG capital grant funding.*  
*Cemeteries project –£210,000 proposed by Executive over 3 years*  
*Disabled Facility Grants – pared down by £150,000 based on current demand levels*
- 3.5 If Option 3 above is agreed, members are also asked to agree the revised capital programme to 2025/2026 (Appendix 5).

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

- 4.1 All projects were scored and prioritised in line with following:
- Does the project Corporate Priorities identified in the 2018-2022 Corporate Plan
  - Does the project meet a statutory duty
  - The National Wellbeing goals/sustainable development principles the project delivers

5. **Implications Against Each Option**

5.1 **Impact on Budget (short and long term impact)**

- 5.1.1 General:  
 £9.9million of capital resources can considered for allocation within the current capital programme. .

**Option 1 - Do Nothing**

- 5.1.2 This option retains the £9.9million available capital resources for future use with none of the potential capital schemes receiving funding and unable to proceed unless alternative funding is identified..

- 5.1.3 **Option 2 – Fund the highest scoring 5 projects in each period leaving the remainder for allocation / contingency at a future date.**

This option limits the number of capital schemes to be funded. The schemes proposed for inclusion in the capital programme under this option is show at Appendix 4

A total of £5.75m will be allocated to the capital programme with £4.2m remaining as a contingency.

- 5.1.4 **Option 3 (Preferred Option) – A combination of paring down the schemes in period 1 (19/2020 to 23/2024 which is the most oversubscribed) by 20% to allow the funding to meet the requirements of an optimum number of schemes and allocating to the highest scoring projects in periods 2 and 3, leaving funding remaining in each period for allocation at a future date.**

This option will deliver an optimum number of requisite projects in the medium term whilst leaving £2m funding remaining in the future for allocation to existing schemes/ additional priorities as they may arise. The projects to be funded based on this option are as follows:

<b>Scheme Name</b>	<b>2019/20 to 2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>
Band B Secondary School Remodelling		750,000	750,000
Band B Welsh Medium Remodelling	280,000		
Household Wales Recycling Centre - Roseheyworth Industrial Estate	520,000		
Cemeteries	210,000		
Emergency Electrical & IT work Civic Centre	240,000		
Corporate Landlord Planned Replacement	560,000	300,000	300,000
Social Services Community Equipment	570,000	285,000	285,000
Tredegar Company Shop	200,000		
Constrained/Industrial Units Improvement Programme	280,000	300,000	300,000
Disabled Facility Grants	250,000	200,000	200,000
Big Arch refurbishment	640,000		
Tech Valley & Enterprise Board Match	500,000		
<b>TOTAL</b>	<b>4,250,000</b>	<b>1,835,000</b>	<b>1,835,000</b>

FUNDING REMAINING FOR ALLOCATION AT A FUTURE DATE                      712,667                      665,000                      665,000

- 5.1.5 A total of £7.9m will be allocated to the capital programme with £2m remaining as a contingency
- 5.1.6 A revised capital programme based upon Option 3, for the period 2019/2020 to 2025/2026, including the projects above is attached as Appendix 5. This also reflects the latest profile of the 21<sup>st</sup> Century Band B schemes.
- 5.1.7 WG has announced a number of enhanced capital grants for the period 2019 to 2021. For example, the Council will receive £410,000 in 2019/2020 for the Public Highways Refurbishment Grant.
- 5.1.8 In addition WG has recently announced Capital grant funding to Support Economic Stimulus within Local Authorities. For 2019/20 the Council will receive £444,465, the purpose of this funding will be :-
- To invest in capital schemes to drive important changes in communities.
  - To fund a range of projects that can be delivered quickly in year, providing economic benefits which are aligned with the Welsh Government's priorities and which can stimulate wider economic demand at a time when it is needed most.
  - To consider any positive impacts on biodiversity and the environment that can be delivered through the investment of this funding

5.1.9 Through the maximisation of these (and other) capital grants, there is the potential to further review the re-allocation of capital resources in this timeframe.

## 5.2 **Risk including Mitigating Actions**

### 5.2.1 **Option 1 – Do Nothing**

If all funding remains unallocated there will be a number of priority schemes unable to be funded. This would result in the Authority being unable to fully match fund its 21<sup>st</sup> Century Band B programme. Also the Council will be unable to meet its disability access requirements or be able to carry out essential works to Corporate buildings. This risk can be mitigated by members agreeing one of the other options.

5.2.2 **Option 2** limits the level of capital schemes to be funded and results in there being insufficient funding to fund schemes the Authority has an obligation to deliver, such as the refurbishment of the Big Arch. This risk can be mitigated by members agreeing the preferred option (Option 3).

5.2.3 There will be project-related risk generally with options 2 to 3, as there is the potential for projects to over- run in either time, money or both. This risk can be mitigated through regular financial and performance monitoring of projects.

5.3 **Legal**  
n/a

5.4 **Human Resources**  
n/a

## 6. **Supporting Evidence**

### 6.1 **Performance Information and Data**

6.1.1 Appendix 1 – Current Capital Programme  
Appendix 2 – Scoring and Matrix  
Appendix 3 – Summary of bids and their associated scores and ranks.  
Appendix 4 – Options for Consideration  
Appendix 5 – Proposed Revised Capital Programme 2019/20 – 2025/26

### 6.2 **Expected outcome for the public**

6.2.1 The report details the financial implications for the Council in providing capital investment for the communities of Blaenau Gwent.

### 6.3 **Involvement (consultation, engagement, participation)**

Wider Corporate Leadership Team challenged the options available for allocating capital funding to capital schemes prior to making recommendations to Council.

#### 6.4 **Thinking for the Long term (forward planning)**

This report considers allocating funding to schemes and managing the capital programme and priorities into the medium term up to the period 2025/2026. If the preferred option is agreed, funding will remain to allow any future priority projects to be incorporated. In addition a Capital Strategy has been developed and will continually be updated, this summarises the capital expenditure, capital financing and treasury management arrangements of the Authority, for the long term.

#### 6.5 **Preventative focus**

Funding these schemes could result in reduced revenue costs associated with some of the remodelling works to Schools and Works to Corporate buildings. In addition works carried out to our Industrial Unit portfolio could prevent the Authority incurring large dilapidation bills in the future.

#### 6.6 **Collaboration / partnership working**

The Accountancy Division works closely with budget holders and with external funding bodies to ensure that where possible, funding opportunities and capital investment is maximised.

#### 6.7 **Integration(across service areas)**

N/A

#### 6.8 **EqIA (screening and identifying if full impact assessment is needed)**

N/A

### 7. **Monitoring Arrangements**

7.1 Financial reporting to the Joint Budget Scrutiny Committee and the Executive is carried out on a quarterly basis where progress against the Capital Programme is monitored. In addition the level of capital receipts and central capital funding is reviewed every year in line with the Welsh Government revenue settlement, to consider the level of funding that can be allocated to the capital programme.

#### **Background Documents /Electronic Links**