

Committee: **Council**

Date of Meeting: **21st September, 2023**

Report Subject: **Capital Programme Update**

Portfolio Holder: **Councillor Stephen Thomas, Leader of the Council/
Cabinet Member – Corporate Overview & Performance**

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

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	27/07/23						21/09/23	

1. Purpose of the Report

- 1.1 To provide Council with an update on the Council's current Capital Programme and highlight a number of priority areas and pressures that have been identified requiring Members consideration.

2. Scope and Background

2.1 Capital Programme

The Capital Programme is agreed by Council and in addition to scheme / project specific funding from external grant awarding bodies, for example Wales Government, UK Government, it includes the allocation of the Council's own financial resources to projects over the medium term.

- 2.2 The current Capital Programme covers a 7 year period 2019/20 to 2025/26, largely corresponding to the Band B 21st Century School Programme.

- 2.3 The Council's own financial resources used for capital purposes is made up from a combination of General Capital Grant, borrowing supported by the Welsh Government, unsupported (Prudential) borrowing, Revenue contributions and available Capital Receipts. This funding can be utilised against Capital schemes that cannot attract grant funding or as match funding for larger schemes.

- 2.3 Appendix 1 provides Members with an extract from the Council's Capital Programme, identifying those schemes where the Council's own resources have been deployed totalling £28million.

2.4 **Additional Income**

Capital Grant

In February 2022, the Council benefitted from the receipt of an additional £1.5m General Capital Grant (GCG) from the Welsh Government (General Capital Grant is classed as un-hypothecated and can be approved for use on any Capital expenditure).

Given the uncertainty surrounding the impact the cost of living crisis would have on the capital programme, this funding was set aside to enhance the Council's capital contingency arrangements.

2.5 The Council has also received £107,000 GCG higher than budgeted for the 2022/23 financial year and is due to receive an additional £754,000 GCG in the 2023/24 financial year above the £1.2m built into the budget.

2.6 In total the Council has received £2,361,000 general capital grant above original budget during 2021/22, 2022/23 and 2023/24.

2.7 **Capital Receipts**

When developing the capital programme an estimate of capital receipts (income from sale of assets, land and other properties) is included within available funding.

2.8 For 2021/22 and 2022/23 the original estimate for capital receipts was £200,000 per annum. The net capital receipts received in each of these years was £549,000 & £460,000 respectively - £609,000 higher than expected. The information for 2022/23 is provisional at this stage.

2.9 **Capital Contingency**

The Council has previously agreed a capital contingency of £1m (as a minimum) to provide a buffer against unexpected circumstances.

2.10 When taking into account the additional capital grants and capital receipts received (paragraphs 2.2 to 2.8) this contingency currently stands at £3.6m. This is £2.6m above the target level contingency and therefore would enable the Council to allocate some capital funding to priority capital projects.

3. **Options for Recommendation**

3.1 *To include Recommendation(s) / Endorsement by other groups, e.g. CLT/Committees/Other groups)*

Note the current level of the capital contingency, consider the schemes identified and:

3.2 **Option 1** – agree and allocate capital resources to identified priority schemes / projects.

3.3 **Option 2** – identify other priority schemes and agree to allocate capital resources to these schemes

3.4 **Option 3** – do not allocate capital resources and maintain for future schemes.

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

4.1 The topic of this report supports the achievement of the Council's priorities in the Corporate Plan. By allocating capital resources, Council assets will be enhanced and financial resources will be available to support organisations and individuals.

- Maximise learning and skills for all to create a prosperous, thriving, resilient Blaenau Gwent (development of Glyncoed and the new Welsh Medium Primary School).
- An ambitious and innovative council delivering quality services at the right time and in the right place (Demolition of Pen y Cwm School, Civic Centre).
- Empowering and supporting communities to be safe, independent and resilient (DFG's, CATS, Empty Homes Grants).

5. **Implications Against Each Option**

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

5.1.1 The current level of the capital contingency is £3.6m. Council has previously agreed to maintain a contingency of approximately £1m leaving £2.6m for allocation if required.

5.1.2 The total value of funding for identified schemes / projects range from £1.94m to in excess of £2.4m.

5.2 ***Risk including Mitigating Actions***

5.2.1 If significant funding remains unallocated there will be a number of priority schemes unable to proceed. This would also result in the Authority being unable to meet Welsh Government targets, such as Education and Decarbonisation, as well as allowing the Council's existing Assets to deteriorate.

5.2.2 If all available funding is allocated and no contingency is maintained, there will be limited funding available for future allocation to priority projects and / or fund overspending capital schemes There is a high level of uncertainty surrounding the impact inflation will have on construction costs.

It should be noted that in the medium term there may / will be several significant themes where there will be limited funding to support or match fund, examples include:

- 21st Century Schools – Band C
- Highways Improvement Works
- Disabled Facilities Grants
- Empty Property Grants
- Decarbonisation agenda

5.2.3 If this becomes an issue in the future with new schemes needing to be prioritised the options available to the Council will be to re-visit funding allocations in the latter part of the programme with a view to deprioritising schemes completely, cut funding allocations accordingly or redesign projects to meet the funding available.

5.2.4 Where the Council's own funding is used as match funding against larger Capital Schemes as part of an agreed profile, it will not be available for reallocation to higher priority schemes unless there is a forecast underspend or additional external funding is secured. Capital projects are monitored throughout the life of the scheme and action is taken where necessary to mitigate overspends and protect the Council's funding.

5.2.5 If capital schemes do not achieve the required level of expenditure within the correct financial year, funding may be lost to the Authority and be detrimental to the Authority's chances of securing future funding. This risk is mitigated as far as possible through close working relationships between the Capital and Corporate Accounting Team, budget holders, Technical Services, and external funding bodies such as the Welsh Government.

5.3 **Legal**

5.3.1 There are a number of statutory requirements relating to Capital expenditure and Capital financing that the Council must adhere to:

- CIPFA Accounting Code of Practice
- CIPFA Prudential Code of Practice
- CIPFA Treasury Management Code of Practice

5.4 **Human Resources** *n/a*

5.5 **Health & Safety**

5.5.1 Allocating capital resources to some of the schemes / projects proposed are in response to health & safety requirements.

6. **Supporting Evidence**

6.1 **Performance Information and Data**

6.1.1 The current Capital Programme covers the period up to 2025/26. There will be additional major schemes that will need to be considered for the capital programme for 2026/27 onwards e.g. the 21st Century Band C programme. These schemes will require an element of the Council's own funding and given current estimates for WG general capital grant and the generation of

capital receipts are in the region of £1.5m per annum, Council may wish to retain all or some of the current capital contingency for use in subsequent years.

6.1.2 During 2022/23 however several capital projects / schemes have been identified that are currently unfunded or underfunded.

6.1.3 **Highways Improvement Works**

Identified as a priority by Members of the Council, prior to 2022/23 Welsh Government provided a specific annual grant to fund highways improvement works. This grant was in addition to the revenue budget agreed by Council for repairs and maintenance to its infrastructure assets.

6.1.4 If grants remain unavailable any highway improvement work will need to be funded using the Council's own (limited) resources.

6.1.5 In October 2022, the Executive considered a report on the Highways Capital Works Programme 2017-2022. The report also presented options around a potential future programme of works subject to funding being identified.

The options identified proposed works to the highest priority classified roads estimated to cost £0.5m increasing to £1m when a number of residential roads and other highway related works were included.

6.1.6 The Highways Asset Management Plan identifies £1.2m for priority highways infrastructure works that need to be considered in the short term.

6.1.7 Options for Consideration include:

Option 1 – Status Quo

No additional Highways works will be undertaken over and above the general repairs and maintenance funded by the allocated revenue budget.

Option 2 – Allocate £500,000 for 2023/24

This would allow the proposed work to the highest priority classified roads to be undertaken.

Option 3 – Allocate a higher amount (e.g. £1m)

In addition to the work identified in Option 2, this option would allow a number of residential roads & other highways related works to be undertaken.

6.1.8 **Disabled Facilities Grants (DFG's)**

Disabled Facilities Grants (DFG) are statutory works undertaken on behalf of disabled residents in order for them to live independently in their own home. Although the Council does not undertake the works directly, it funds these works through grants via an application process.

6.1.9 During 2021/22, the Council agreed to remove the means test element of the application process, as a consequence the number of grant applications

has increased significantly (by 117%) and in addition the high inflation currently being experienced has increased cost of works and subsequently the value of grants required.

6.1.10 The Council has allocated £200,000 per annum for DFG's within its Capital Programme for the period 2023/24 to 2025/26, which is supplemented by a small grant from Welsh Government. The value of applications received exceed this level significantly which is impacting upon the number of grants that can be provided and the timeliness of awarding the grants.

6.1.11 Based upon current estimates of outstanding applications and new applications expected for 2023, the DFG budget is projected to utilise all of its remaining allocated funding during 2023/24. The current funding allocated will not fund all applications expected to be received.

6.1.12 The Council therefore needs to consider its approach to DFG's:

Option 1 – status quo

This option retains the current capital allocation of £200,000 per annum (for 2023/24 & 2024/25). This will mean that not all applications for DFG can be agreed and awarded during the year. This will result in a continuation of the backlog of applications and delays in grants being awarded (and consequently works being delayed).

Option 2 – Increase Capital Allocation to £400,000 per annum (for 2023/24 & 2024/25)

This option will require an additional allocation of £400,000 from the Council's capital resources (£200,000 for the next 2 years). This is expected to resolve the immediate pressure of the current outstanding applications and those expected to be received in 2023/24 however in the medium term should applications continue to be received at the same level as currently experienced the issues will recur in future unless additional resources can be identified.

Option 3 – Consider Reinstating the Means Test element to the application process

This is likely to result in a lower number of grant applications since applications would be required to financially contribute to the planned works.

6.1.13 ***Community Asset Transfers (CATS)***

A review of Community Asset transfers has identified work required on a number of properties to bring them up to a reasonable standard and address health and safety issues. These works which the Council is liable for are estimated to cost £140,000 and include work to the Metropole and Beaufort Theatre.

6.1.14 ***Empty Homes Grants***

The Council has entered into an agreement with the Valleys Task Force to provide grants to support bringing Empty Homes back in to use. The Welsh Government has committed to providing the majority of the funding for this

scheme via grant funding, although each Authority is required to provide match funding for these grants. For Blaenau Gwent, the value of match funding will be £50,000 for each of the 2023/24 and 2024/25 financial years.

6.1.15 ***Glyncoed School – Storm Drainage Line***

An issue has been identified with a Council owned storm drainage line that leads from the site of the new Glyncoed school build. Rectification is critical to allow connection of the surface water drainage from the new school development and the Sustainable Drainage Approval Body (SAB) approved design.

The estimated cost of the works is £100,000 and delays are likely to impact upon the school construction contract and will have major implications on overall build costs.

6.1.16 ***Pen-y-Cwm School (old site)***

The old Pen Y Cwm school site, situated next to Beaufort Hill Primary School, is currently a liability and regularly incurs costs in relation to vandalism.

6.1.17 The estimate for demolition is £200,000, removing this building would remove the costs pressures associated with vandalism.

In the longer term it would also allow the Council to bid for a Community Focused School Capital Grant funded project in the future.

6.1.18 ***Play Areas***

The issue with the current quality/ standard of the play facilities across Blaenau Gwent has been identified as a concern, with no investment for equipment removal, replacement or upgrade.

6.1.19 It is proposed that an allocation of £50,000 is agreed to address the initial areas of concern whilst a longer term strategy is developed and potential alternative / additional resources are identified for future use.

6.1.20 For Community Asset Transfers, Empty Homes Grants, Glyncoed School – Storm Drainage Line, Pen-y-Cwm School (old site) demolition and Play Areas, the options to consider are:

Option 1 – Status Quo

No works would be undertaken unless alternative funding can be identified.

Option 2 – Allocate funding for the estimated amounts

This will allow the identified works to be undertaken.

6.1.21 ***Civic Centre, Ebbw Vale – Demolition***

Council has previously agreed the demolition of the Civic Centre would be funded from the capital receipts generated from the sale of the site.

6.1.22 Alternative opportunities for the Civic Centre site are currently being explored which may result in capital receipts not being generated. As a consequence it is proposed to fund the cost of demolition from current available resources.

6.1.23 **Recommendation – Allocate Funding of £500,000 from current resources.**

Proposals for the site will be brought forward for Members consideration. Should the final determination include sale of the site, capital receipts will replenish the capital contingency for future use.

6.1.24 **Table 1 – Summary of Projects for Capital Programme Considerations**

Scheme / Project	Funding Consideration		
	<u>Lower Level</u> <u>£'000</u>	<u>Upper Level</u> <u>£'000</u>	<u>Proposed</u> <u>£'000</u>
Highways Improvement Works	500	1,000	500
Disabled Facilities Grant	400	400+	400
Community Asset Transfers	140	140	140
Empty Homes Grants	100	100	100
Glyncoed School – Storm Drain	100	100	100
Pen-y-Cwm School (old Site)	200	200	200
Play Areas	50	50	50
Civic Centre, Ebbw Vale	500	500	500
	1,990	2,490+	1,990

6.2 **Expected outcome for the public**

6.2.1 Allocation of resources will result in additional investment for the communities of Blaenau Gwent.

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

6.3.1 The Corporate Leadership Team challenge 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)**

6.4.1 This report provides an update on the progress of the Capital Programme 2019/20 to 2025/26 and the level of the capital contingency balance as of March 2023.

If option 1 or 2 is agreed, some funding will remain to be allocated in the longer term.

In addition, a Capital Strategy has been developed and will continually be updated. This strategy summarises the capital expenditure, capital financing and treasury management arrangements of the Council, for the long term.

- 6.5 ***Preventative focus***
- 6.5.1 Funding capital schemes could result in reduced revenue costs associated with the ongoing maintenance of older and less efficient Council assets. In addition, meeting Welsh Government targets mitigates the cost of financial penalties.
- 6.6 ***Collaboration / partnership working***
- 6.6.1 The Accountancy Section 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 ***Decarbonisation and Reducing Carbon Emissions***
- 6.8.1 The Council is committed to the Decarbonisation Plan to achieve a carbon neutral public sector by 2030. The Capital Programme currently contains schemes which promote the reduction of carbon emissions such as ReFIT, Electric Vehicle Charge Points, Innovation for Decarbonisation - WBRID and the purchase of Ultra Low Emission Vehicles. New Council buildings should be designed to the latest energy efficiency standards.
- 6.9 ***Integrated Impact Assessment (IAA)*** *(All decisions, policy reviews or policy implementation will now require a completed Integrated Impact Assessment) **To note a screening template no longer needs to be completed***

7. **Monitoring Arrangements**

- 7.1 *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

Financial monitoring to the Corporate Overview and Performance Scrutiny Committee (briefing) and Cabinet (report) is carried out on a quarterly basis relating to Capital Programme progress. 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

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