

## Appendix C

### Capital Contingency and Prioritisation Strategy

#### 1.0 Background

- 1.1 As part of the reshaping Swansea transformation programme one of the future tasks is the need to develop a “Cross Council” approach to capital management and prioritisation. A strategic capital strategy has already been developed and now forms part of the suite of reports as part of the budget setting process and was approved by Council on the 4<sup>th</sup> March 2021.
- 1.2 Therefore to supplement the “policy context” which also clearly sets out the current capital programme over the life of the MTFP, it is believed appropriate to develop an aligned process to ensure “corporate” visibility of any emerging priorities funded from the set aside capital contingency.

#### 2.0 Current Position

- 2.1 From an officer perspective it is intended to utilise the existing cross Council Asset Management Group to manage this review process with two meetings planned per year, one in April and one in October. Discussion with Cabinet/CMT would then follow as part of the budget setting process or as each individual capital request would be made by the normal cabinet approval process. This will allow a review of the programme set by Council, and also close the loop at the budget “discussion” stage to feed into each annual review, thus assisting in setting future capital priorities. The benefit of this approach is that cross Council representatives linked to “assets” already attend so it makes best use of an existing forum. The outcomes from the group will then feed into the annual strategy report referred to above.
- 2.2 Therefore as budgets change or additional funding becomes available from WG or other sources a Council wide option appraisal can take place where money is not ring-fenced to a particular activity.

#### 3.0 Current “Opportunities and Challenge”

- 3.1 Attention is drawn to the proposed Covid recovery capital contingency fund as part of the forward capital programme which is currently set at £20m and notionally split as follows:

22/23	£8m
23/24	£6m
24/25	£4m
25/26	£2m

- 3.2 In addition, the opportunity arising out of the UK levelling up fund would appear to a sizable source of future funding albeit subject to a “competitive bidding process”. Initial principles are that over the next 3 to 4 years the

Council can bid for up to 3 schemes of a maximum of £20m with a fourth transport scheme at a maximum of £50m. This makes it even more crucial that the Council has a clearly identified set of future priorities so that it can determine which schemes are best suited to which “funding pot. Two bids were submitted for 2021 call for entries which were unsuccessful and feedback is due by the end of December. Further detail is also awaited on the shared prosperity fund and the process and potential allocation likely to be made available.

- 3.3 The Welsh Government Transforming Towns programme is a further substantial funding programme focussed primarily on the City Centre and larger district town centres, concentrated on ‘core’ areas (e.g. in City Centre would cover Oxford Street, but not St Helens Road or Brynymor Road). Larger grant asks attract more scrutiny, but not unreasonable to look at £2-£5m per financial year across a range of eligible schemes. 2021/22 budget for South West Wales is £11.2m and not unreasonable to expect similar values for the region going forward. The preference is several schemes profiled over 2-3 years. Development costs are eligible to 50% intervention rate, as part of a ‘phased’ approval process. A decision not to proceed further or diversion of a scheme to other funding sources subsequent to development phase would require repayment of the WG 50%.
- 3.4 The authority also has access for 15 years to a £6m ‘Town Centre Loan’ for use by the local authority in city and town centres (separate to the private sector version), which can be factored in to schemes where borrowing is a requirement to save on interest payment for the duration of the loan. This has to be recycled 3 times in the 15 years, average scheme length 5 years, max 7 years currently.
- 3.5 Construction market conditions are having a significant impact on live schemes, and whilst prices and supply chains have settled it is recommended given the size of the capital programme that a reasonable contingency needs to be allowed for ongoing schemes.
- 3.6 Initial discussions have highlighted that there are a range of emerging priorities and it is important that there is visibility of these “competing” schemes to ensure that when allocations are made they are in line with the overall strategy. Eligibility for the funding sources above has to be factored into discussion.
- 3.7 The benefit of having a summary of priorities means that if additional funding becomes available then there is a readymade list to call on.
- 3.8 During this initial scoping a simplistic summary of these emerging schemes has been developed
- 3.9 The following is a summary of the “current” projects where funding has been allocated or is being considered from the £20m capital contingency.

## Funding Allocated

Castle Square Graig Road	Design and Planning FPR7 FEB21 Emergency repairs (original FPR7 to be funded from Highways underspend 2020-21 or annual allocation 2021-22)
Arfryn satellite special school	Essential Maintenance and improvement works FPR7 JAN21
Cefn Hengoed Community hub including 3G pitch	Increased cost to deliver scheme - as detailed in FPR7 report
71-72 Kingsway	Increased borrowing required
Kingsway Infrastructure	FPR7 OCT21 overspend once scheme finalised - worst case scenario after Bond and S106 funding included
Highways	Morfa culvert
Digital	Digital Democracy scheme
Education (Band B)	Bryntawe net zero carbon (match for WG grant)

Castle Square	Construction cost
---------------	-------------------

3.10 This equates to an initial commitment of £18.839m.

3.11 However, an application has been made to Welsh Government for a £2.5m towards the Castle Square development which would then result in a total commitment of £16.339m.

### 3.12 Contingency Balance

As stated above the “council earmarked capital future funding is capped at £20m and given the scale of the current capital programme it is suggested that the balance of the £1.161, (or £3.661 if the WG application for castle square is successful) should be retained as a true contingency until some of the current major projects are complete or significantly progressed.

Officers will continue to explore all and any additional funding sources that are identified and can be used to develop further proposals