



SPECIAL CABINET - 23RD FEBRUARY 2012
SPECIAL COUNCIL – 23RD FEBRUARY 2012

SUBJECT: LOCAL GOVERNMENT BORROWING INITIATIVE

REPORT BY: CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet views on the proposals contained in the report prior to consideration by Council.

2. LINKS TO STRATEGY

- 3.1 The report links directly to the regeneration of the county borough making Caerphilly county borough a better place to live.
- 3.2 The report links directly to the Council's priority to improve the look and feel of its streets and to make Caerphilly a safer place to live and work.

3. BACKGROUND

- 3.1 Over a number of years, local authorities, WLGA and CCS Wales have been lobbying Welsh Government (WG) for funding to address highway maintenance backlogs. As a consequence, the Local Government Borrowing Initiative (LGBI) has been created to help tackle this issue.
- 3.2 With the objectives of boosting the Welsh economy and improving the local highway asset, Welsh Ministers have made a commitment to assist local authorities meet mounting revenue pressures, allowing them to free up resources for prudential borrowing up to an expected aggregate total of £172 million, exclusively for capital highway improvement investment during the 3 year period 2012-2015. Revenue funding repayments will be made available over a twenty-two year period.
- 3.3 The Welsh Government are providing £12m of revenue funds to secure £240 million of schemes via prudential borrowing over a period of twenty two years - £4 million in 2012-13, £8 million in 2013-14 and £12 million thereafter in 2014-15 (falling to £8 million and then £4 million in the 2032-33 and 2033-34 respectively)
- 3.4 The funding will be allocated to local authorities by means of an in-year grant in 2012-13, reverting to the Revenue Support Grant (RSG) thereafter, in both cases using the Standard Spending Assessment (SSA) Formula.
- 3.5 The initiative will help local authorities (LA) to implement highway projects, within the context of their Highway Asset Management Plan. LA business justification cases (BJC) submissions should include discrete proposals across all highway asset types.

- 3.6 BJC assessment criteria include for additionality, asset condition projects, 20 year life expectancy and 3 year delivery period. Schemes that can be classed as functionality projects are largely high cost transportation schemes which have long lead in times due to land issues etc. Consequently, these would not meet the 3 year delivery timescale and therefore are not at the forefront of any CCBC business justification case.
- 3.7 Additionality is a key aspect for consideration. The improvements funded by the grant should be in addition to that which would have been funded from an authority's existing resources if the grant had not been made available. The local authority must therefore provide this assurance by reporting their actual revenue and capital expenditure in this area over the last three financial years (2009/10 to 2011/12) and intended expenditure over the next three financial years (2012/13 to 2014/15).

4. THE REPORT

- 4.1 WG provided its Guidance Document for local authorities – Local Government Borrowing Initiative January 2012. This explains the scope, assessment criteria and the Application Process of Governance of the initiative. The Application Process and Governance process can be seen in Appendix A.
- 4.2 Current indications are that CCBC are receiving circa £11.6 million of WG funding over 22 years to allow borrowing which will provide circa £8.4 million of capital expenditure investment funding (£3.2 million is interest payments). Due to tapered start up support over the first 2 years of the 3 year delivery period, it is prudent to consider £2.8 million available for investment for each of 2012/13, 2013/14 and 2014/15.
- 4.3 WG requires the 2012/13 BJC in line with the Application Process in Appendix A. It also requires business justification cases for 2013/14 and 2014/15 to be submitted to it by December 2012.
- 4.4 Appendix B contains CCBC BJC for 2012/13. It primarily concentrates on the asset inventory condition, considering whole life approach to maintenance, as well as including reactive maintenance issues particularly those resulting in litigation. It also highlights items for future BJC's over and above carriageway and footway works.
- 4.5 The BJC predominantly contains works items to address long-standing difficulties. Further it responds to work areas that Caerphilly council have recently supported, namely carriageway and footway surface dressing and resurfacing. The locations for these works can be seen in Appendix C. Recent reports to Council on resurfacing have identified the mechanism by which the sites are selected and Appendix D illustrates the areas from which they have been identified.
- 4.6 As the BJC is subject to Regional Transport Consortia appraisal and subsequent WG acceptance, there is the possibility that elements within the document may not meet with approval. One such item is surface dressing/slurry sealing works. WG has verbally stated that as long as work items are in the Council's Highway Asset Management Plan then it would be applicable. However, auditors believe that such work is revenue and therefore contradicts this advice. Clarity is still required so should these two items or any other not be supported in this BJC, then these funding amounts will be redirected towards future BJC's.

5. FINANCIAL IMPLICATIONS

- 5.1 The borrowing initiative is fully financially supported by Welsh Government as detailed in Items 3.3 and 3.4.

6. PERSONNEL IMPLICATIONS

6.1 None.

7. CONSULTATIONS

7.1 As identified at end of the report.

8. RECOMMENDATIONS

8.1.1 Recommend to Council that: -

Caerphilly CBC submits its LGBTI Business Justification Case for that work identified in Appendices B and C.

9. REASONS FOR THE RECOMMENDATIONS

9.1 To positively contribute to extending the life of the Council's biggest asset, namely the highway network.

10. STATUTORY POWER

10.1 Highways Act 1980.

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Appendices:

Appendix A Diagram showing the Application Process and Governance
Appendix B Proposed CCBC Business Justification Case Projects
Appendix C List of Carriageway and Footway Resurfacing Schemes
Appendix D Map of Highway Inspectors Areas