

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

21 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL PROGRAMME OUTTURN 2019-20 AND QUARTER 1 UPDATE REPORT 2020-21

1. Purpose of report

1.1 The purpose of this report is to:-

- comply with the requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA) 'The Prudential Code for Capital Finance in Local Authorities (2017 edition)
- provide an update on the capital outturn for 2019-20 (**Appendix A**)
- provide an update of the Capital Programme for the period 1 April to 30 June 2020 (**Appendix B**)
- seek agreement from Cabinet to present a report to Council for approval for a revised capital programme for 2020-21 to 2029-30 (**Appendix C**)
- note the projected Prudential and Other Indicators for 2020-21 (**Appendix D**)

2. Connection to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively

and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

2.2 Capital investment in the Council's assets is a key factor in meeting the Council's well-being objectives.

3. Background

3.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, contain detailed provisions for the capital finance and accounting controls, including the rules on the use of capital receipts and what is to be treated as capital expenditure. They modify accounting practice in various ways to prevent adverse impacts on authorities' revenue resources.

3.2 As well as the legislation, the Council manages its Treasury Management and Capital activities in accordance with the following associated guidance:-

- CIPFA's Treasury Management in the Public Services: Code of Practice
- CIPFA's The Prudential Code for Capital Finance in Local Authorities
- Welsh Government (WG) revised Guidance on Local Authority Investments

3.3 The Prudential Code for Capital Finance in Local Authorities requires Local Authorities to have in place a Capital Strategy which demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out a number of Indicators that must be set and monitored each year.

3.4 On 20 February 2019 Council approved a Capital Programme of £35.474 million for 2019-20 as part of a capital programme covering the period 2019-20 to 2028-29. The programme was last updated and approved by Council on 26 February 2020. This report provides an update on the following:

- Capital Programme outturn 2019-20
- Capital Programme monitoring quarter 1 2020-21
- Capital Strategy monitoring
- Prudential and other indicators

4. Current situation

4.1 Capital Programme Outturn Position 2019-20

4.1.1 This section of the report provides Members with an update on the Council's capital programme for 2019-20. The original budget approved by Council on 20 February 2019 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2018-19 and any new schemes and grant approvals. The most recent programme for 2019-20,

approved by Council in February 2020 as part of the Medium Term Financial Strategy, totalled £30.137 million, of which £13.964 million is met from BCBC resources, including capital receipts, revenue contributions from earmarked reserves and borrowing, with the remaining £16.173 million coming from external resources.

4.1.2 Appendix A provides details of the individual schemes within the capital programme, showing the budget available in 2019-20 compared to the actual spend. The revised programme was only approved in February 2020, so there have been few amendments since then other than the following main changes:

- new approvals of £1.964 million as a result of a new grant scheme from the Welsh Government - the Hwb Infrastructure Grant
- £0.403 million funding brought back from 20-21 to reflect spend profiles.

This brings the revised budget to £32.504 million

4.1.3 Total expenditure as at 31 March 2020 is £22.822 million, resulting in a total under spend of £9,682 million. During the year a number of schemes have commenced but not been completed during the year, or have been moved wholly into 2020-21. These include the refurbishment of Waterton Depot, Bridge Strengthening at the A4061 Ogmere Valley, City Deal and regeneration works at Llynfi Valley. Slippage has arisen due to a number of reasons including delays in starting projects due to the need to undertake more detailed survey works, ongoing discussions with funding bodies and other general programme delays. There is also likely to be significant slippage during 2020-21 as a consequence of the Covid-19 lockdown and subsequent regulations on social distancing.

4.1.4 Net slippage into 2020-21 of £9.073 million is required, the main schemes being:

- £2,246,000 in respect of the Llynfi Development – Welsh Government has agreed an extension to the loan of 6 months to enable the Council to undertake further feasibility work
- £908,600 of funding for minor capital works has slipped due to the delay in completing a number of schemes
- £564,000 in respect of the Children’s Residential Hub due to delays in finalising funding approval
- £471,000 in respect of Bridge Strengthening. Substantial elements of the works were delayed by the utility company and as such many elements of the contract spend were deferred until later within the revised contract period.
- £582,000 in respect of the Enterprise Hub due to the project being reprofiled and reconfigured in 2020-21
- £520,000 in respect of Digital Transformation whilst the digital strategy has been developed, to ensure the development is taking into account the effects

of Covid -19 and how digital can support the Council in terms of its operational model

- £320,000 in respect of 21st Century Schools Band B. New schemes are currently at feasibility stage
- £260,000 in respect of Maesteg Town Hall due to delays, and changes to funding profiles as a result of the Council maximising additional grant funding during 2019-20

4.2 Capital Programme Quarter 1 Update

4.2.1 This section of the report provides Members with an update on the Council's capital programme for 2020-21 since the budget was last approved by Council and incorporates any new schemes and grant approvals. The revised programme for 2020-21 currently totals £62.305 million, of which £40.313 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts, revenue contributions from earmarked reserves and borrowing, with the remaining £21.992 million coming from external resources, including General Capital Grant. Table 1 below shows the capital programme for each Directorate from the February 2020 approved Council position to quarter 1:

Table 1 – Capital Programme per Directorate 2020-21

Directorate	Approved Council February 2020 £'000	Slippage Brought forward from 2019-20 £'000	Slippage into 2021-22 £'000	New Approvals £'000	Revised Budget 2020-21 £'000
Education & Family Support	6,582	1,885	(1,243)	400	7,624
Social Services and Well-being	-	889	-	1,300	2,189
Communities	46,614	5,542	(3,937)	18	48,237
Chief Executive's	2,550	757	-	260	3,567
Unallocated	688	-	-	-	688
Total	56,434	9,073	(5,180)	1,978	62,305

4.2.2 Table 2 below summarises the current funding assumptions for the capital programme for 2020-21. The capital resources are managed to ensure that maximum financial benefit for the Council is achieved. This may include the realignment of funding to maximise government grants.

Table 2 – Capital Programme 2020-21 Resources

CAPITAL RESOURCES	BCBC £'000	External £'000	Total £'000
Capital Receipts	13,915	-	13,915
Grants	-	21,727	21,727
Earmarked Reserves	13,228	-	13,228
Unsupported Borrowing	5,333	-	5,333
Supported Borrowing	4,134	-	4,134
Other Loans	1,471	2,246	3,663
Revenue Contribution	40	-	40
Other Contributions	-	265	265
TOTAL	38,067	24,238	62,305

4.2.3. **Appendix B** provides details of the individual schemes within the capital programme, showing the budget available in 2020-21 compared to the projected spend at 30 June 2020.

4.2.4. There are a number of amendments to the capital programme for 2020-21, such as new and amended schemes, since the capital programme was last approved including:

21st Century Schools Band B

The overall funding envelope for the programme has been amended to reflect the latest scheme cost submitted to Welsh Government for the programme based on 3 schools (including a replacement special school) being funded from capital grant and 2 schools funded via the Mutual Investment Model (MIM). The overall funding of the programme within the capital budget has been revised and updated to reflect current intervention rates. All schemes will be subject to full business cases and any changes to the overall funding envelope will be reported back to Cabinet and Council as necessary.

Mynydd Cynffig Primary School – Mobile Classrooms

A condition survey of Mynydd Cynffig Primary School (infants' site) highlighted serious issues with the building. Technical officers advised that the nature and assortment of the disrepairs highlighted meant that isolated repair works to individual fabric elements of the building would be extremely challenging and economically unfeasible. As a result of the potential health and safety risk presented to pupils and staff, it was agreed that the school building would close and alternative teaching accommodation would be provided as a matter of urgency.

In May 2020, in the absence of full Council meetings, the Chief Executive used his emergency powers to amend the capital programme to authorise expenditure of £1.2 million for the provision of temporary classrooms and to undertake infrastructure works on sections of the main school building that are required to be retained and kept in use (e.g. hall and kitchen). The works are to be funded mainly from the existing Schools' Capital Maintenance Grant

(£800,000) with the balance of £400,000 funded from an earmarked reserve established at year end for this purpose.

Installation of Electric Vehicle Charging Points (EVCPs)

In May 2020, in the absence of full Council meetings, the Chief Executive signed a Delegated Power to authorise additional expenditure of £25,000 from within the capital programme for the installation of Electric Vehicle Charging Points (EVCPs) at Ravens Court, linking in to the Government's Road to Zero Strategy. This was deemed to be the preferred location for a number of reasons:

- Availability of secure parking, the spare electric load capacity in the building and the ease of electric connection of the new EVCP to the distribution board.
- The facility management team is based in Ravens Court and this will allow the team to continue operating the EVs and closely monitor the new EVCP.

The funding was met from additional capital funding provided by Welsh Government in the local government settlement for 2020-21 to enable local authorities to respond to the urgent need to decarbonise. The scheme is now built into the capital programme.

Children's Residential Accommodation Hub

In February 2018, Cabinet approved the implementation of the new model for Children's Residential Services, a fundamental component of which was the development of a Placement Hub. At that time it was reported that the Hub will initially be developed by re-designing the existing children's residential 'estate' and would therefore be based at Newbridge House. However, in February 2020 a new site was proposed, at the former Brynmenyn Primary School site, as it became clear that this was the only viable option for the new Hub, based on the specific complex and challenging requirements of the children and young people, and also recognising the feedback received from the earlier consultation and engagement.

The new development at Brynmenyn School will provide a specially designed and purpose-built Placements Hub, from which the newly implemented service model can be effectively delivered from, enabling more teams to be located there, seamless working and better outcomes for individuals. Following the resolution of common land issues, designs have been finalised and estimated costs received. Capital funding of £1.25 million has already been secured for the new Hub:

- £600,000 already approved by Council in the MTFs capital programme for 2018-19, which has subsequently been rolled forward;
- £650,000 Integrated Care Fund (ICF) capital funding for 2020-21.

There is a shortfall identified of £650,000, which will be met from a combination of the earmarked reserve for Looked After Children (£350,000) and the capital pressures earmarked reserve (£300,000). However, additional funding will also be sought via regional ICF Capital which may allow BCBC to reduce these

amounts – but there are no guarantees that this will be successful at this moment in time.

Bryncethin Depot

Following Council's agreement in November 2018 to the proposal to operate on a reduced footprint at Waterton Depot, with partial staff relocation to Bryncethin Depot, a range of works has been undertaken at Bryncethin Depot to get this fit for purpose. Recently a small number of additional minor works schemes have been identified, both capital and revenue, and primarily for health and safety reasons, to enable the depot to operate efficiently and safely. In terms of capital, these are the replacement of the diesel storage tank and re-roofing of the workshop to remove any risk of asbestos. The total cost of these schemes is £18,000 and this will be met from an earmarked reserves already established for Bryncethin minor works.

Bridgend Enterprise Hub

In April 2018, Council approved the Enterprise Hubs Development Programme. The programme consisted of the refurbishment of the Innovation Centre and development of new business units at Village Farm Industrial Estate. Council originally approved a total budget of £3,611,948, of which £2,347,766 was ERDF funding and £1,264,183 BCBC match funding. This was later amended in the capital programme to reflect additional external funding provided. Following this, detailed survey work at the Innovation Centre identified a significant level of additional costs that were not known at the time of business plan submission to WEFO. This would have resulted in a significant increase in total costs and match funding requirement from BCBC. A prudent approach was therefore taken to remove the Innovation Centre from the scheme entirely rather than increase the level of financial risk. A revised funding letter has been agreed with WG confirming an ERDF contribution of £1,494,953 towards the revised project costs of £2,299,928, leaving a requirement for BCBC match of £804,975. The other elements of the programme are progressing well with planning permission for phase 1 of the developments at Village Farm Industrial Estate having been submitted.

Community Recycling Centre (CRC), Village Farm Industrial Estate, Pyle

On 1 March 2016, as part of the 2016-17 to 2019-20 MTFs, Council approved capital funding of £1.322 million towards a new Community Recycling Centre at Village Farm Industrial Estate. Since then work has been underway to identify the most suitable location, design the site, seek planning permission and go out to tender. Following evaluation the lowest tender is £1.594 million, which is higher than the budget available mainly due to the requirement to build in social distancing measures for staff into the tender price. It is proposed to meet the shortfall through a virement of £272,000 from the Investing in Communities Fund.

Western Valley Empty Homes Pilot

The Minister for Housing and Local Government has agreed to an in principle allocation of capital funding of up to £169,000 for Bridgend County Borough Council in 2020-21 to establish a one year pilot project to increase the availability of social housing for tenants by bringing empty homes back into use.

This offer of grant funding is subject to match funding being provided by Bridgend Council to the value of £91,000. This represents 35% of the total cost of the pilot which is £260,000, and will be met from existing capital receipts. This grant will support the delivery of the Council's and Welsh Government's priority of returning empty properties back into use offering additional social housing across Bridgend County Borough, to help regenerate communities, provide more choice and suitable accommodation for residents.

4.2.5 A Revised Capital Programme is included as **Appendix C**.

4.3 Prudential and Other Indicators 2020-21 Monitoring

4.3.1 In February 2020, Council approved the Capital Strategy for 2020-21, which included the Prudential Indicators 2020-21 to 2022-23 together with some local indicators.

4.3.2 The Capital Strategy is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability. To this end, a number of prudential indicators were included, and approved by Council. In line with the requirements of the Prudential Code, the Chief Finance Officer is required to establish procedures to monitor both performance against all forward-looking prudential indicators and the requirement specified.

4.3.3 **Appendix D** details the actual indicators for 2019-20, the estimated indicators for 2020-21 set out in the Council's Capital Strategy and the projected indicators for 2020-21 based on the revised Capital Programme. These show that the Council is operating in line with the approved limits.

4.4 Capital Strategy Monitoring

4.4.1 The Capital Strategy also requires the monitoring of non-treasury management investments and other long term liabilities. The Council does have an existing investment portfolio which is 100% based within the County Borough and primarily the office and industrial sectors. The income streams are generally spread between the single and multi-let office investments on Bridgend Science Park, the multi-let industrial estates and the freehold ground rent investments. The total value of Investment Properties was £4.635 million at 31 March 2020.

4.4.2 The Council has a number of Other Long Term Liabilities which are included within the Capital Strategy, the most significant being the Maesteg School Private Finance Initiative (PFI). The Council has a PFI arrangement for the provision of a Secondary School in Maesteg. This forms a long-term liability for the Council which is £15.6 million at 31 March 2020. This is a 25 year agreement which will end during the 2033-34 financial year. Other long term liabilities totalling £0.9 million include lease arrangements for the Innovation Centre, the Council's Waste Contract and a Welsh Government energy efficiency loan.

5. Effect upon policy framework and procedure rules

- 5.1 As required by Financial Procedure Rule 3.5.3 within the Council's Constitution, "The Chief Finance Officer shall report quarterly to Cabinet an update on the Capital Strategy and the Prudential Indicators".

6. Equality Impact Assessment

- 6.1 Projects within the capital programme will be subject to the preparation of Equality Impact Assessments before proceeding. There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 Implications

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information and is retrospective in nature it is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report. Specifically the development of a 10 year capital programme, which reflects the Council's affordability in terms of capital receipts and borrowing, supports the principle of sustainability over the long term.

8. Financial implications

- 8.1 The financial implications are reflected within the report.

9. Recommendation

- 9.1 It is recommended that Cabinet:
- notes the capital outturn for 2019-20 (**Appendix A**)
 - notes the Council's Capital Programme 2020-21 Quarter 1 update to 30 June 2020 (**Appendix B**)
 - agree that the revised Capital Programme (**Appendix C**) be submitted to Council for approval
 - notes the projected Prudential and Other Indicators for 2020-21 (**Appendix D**)

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Background documents: