

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

20 OCTOBER 2020

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

CAPITAL PROGRAMME UPDATE - QUARTER 2 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 of the Capital Programme for the period 1 April to 30 September 2020 (**Appendix A**)
- seek agreement from Cabinet to present a report to Council for approval for a revised capital programme for 2020-21 to 2029-30 (**Appendix B**)
- note the projected Prudential and Other Indicators for 2020-21 (**Appendix C**)

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 a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
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** – ensuring that all its 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 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 Priorities as set out in the Council's Corporate Plan.

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 26 February 2020, Council approved a capital programme covering the period 2020-21 to 2029-30 as part of the Medium Term Financial Strategy (MTFS). The capital programme was last updated and approved by Council on 22 July 2020. This report provides an update on the following areas:

- Capital Programme 2020-21 Quarter 2 update
- Capital Programme 2020-21 Onwards
- Prudential and Other Indicators
- Capital Strategy monitoring

4. Current Situation / Proposal

Capital Programme 2020-21 Quarter 2 update

4.1 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 £53.541 million, of which £27.850 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £25.691 million coming from external resources, including General Capital Grant. Table 1 below shows the capital programme for each Directorate from the July 2020 (Quarter 1) approved Council position to quarter 2:

Table 1 – Capital Programme per Directorate 2020-21

Directorate	Approved Council 22-Jul-20 £'000	New Approvals & Adjustments £'000	Virements £'000	Slippage to future years £'000	Revised Budget 2020-21 £'000
Education & Family Support	7,624	0	125	(500)	7,249
Social Services and Well-being	2,189	0	102	0	2,291
Communities	48,237	4,691	(227)	(12,855)	39,846
Chief Executive's	3,567	420	0	(520)	3,467
Unallocated	688	0	0	0	688
Total	62,305	5,111	0	(13,875)	53,541

- 4.2 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	£'000
<i>BCBC Resources:</i>	
Capital Receipts	9,045
Earmarked Reserves	10,754
Unsupported Borrowing	2,573
Supported Borrowing	3,986
Other Loans	1,417
Revenue Contribution	75
Total BCBC Resources	27,850
<i>External Resources:</i>	
Grants	25,691
Total External Resources	25,691
TOTAL RESOURCES	53,541

- 4.3 **Appendix A** provides details of the individual schemes within the capital programme, showing the budget available in 2020-21 compared to the projected spend.
- 4.4 A number of schemes have already been identified as requiring slippage of budget to future years (2021-22 and beyond). At quarter 2 the total requested slippage is £13.875 million, which includes the following schemes:

Porthcawl Regeneration (£2.557 million)

Council have approved £2.607 million to fund works associated with the regeneration of Porthcawl, subject to realisation of capital receipts. Feasibility works are currently underway but it is anticipated that £2.557 million will be slipped into 2021-22. Further optioneering, development and engagement work will be required to bring forward the right mix of housing, low carbon development and sustainable transport onto the site.

Llynfi Development Site (£2.246 million)

The COVID-19 pandemic has had a severe impact on the intended site investigation works at the Maesteg Washery West site, with site access restrictions, staff resourcing issues and laboratory shut downs causing a significant delay to the programme of works. Discussions with the consultant engineers on the scheme, have indicated that the scheme can now progress (whilst following current COVID guidelines) and they have produced a revised programme to this effect.

Welsh Government has recently provided confirmation to the Council that the loan for this site, which was due to be repaid this month, can now be extended for a further 12 months. Consequently the funding has been slipped into 2021-22 and adjusted to reflect the revised capital / feasibility split.

Coastal Risk Management Porthcawl (£1.25 million)

Approval has been received from Welsh Government to tender the £6.032 million for works in Porthcawl in relation to the refurbishment of the Western Breakwater, improvement of the Eastern Promenade, repairs to Rhych Point and introduction of a dune management system to enhance and retain the relic dunes at Sandy Bay. These works will protect approximately 531 Residential and 175 Business Properties.

The tender process, which started later than originally planned whilst approval was sought from WG, is underway and it is anticipated for this to be concluded by the end of November, with an anticipated works start date of January 2021. This has resulted in slippage of £1.25 million to 2021-22.

Carriageway and Footways renewal (£1.3 million)

Due to the limited available working window for resurfacing works (generally March to October) it is anticipated that works will be complete to the value of £1.7 million for 2020-21. As a result of additional WG funding in previous years £1.3 million has been slipped into 2021-22.

Corporate Landlord Energy Efficiency Savings (£1.287 million)

The Refit Project is progressing successfully. Over the last months and despite the delays caused by the pandemic, the tenderer was appointed (Ameresco) and the high level appraisal stage was completed and approved by the Project Board. Currently the Project Board is expecting the Investment Grade Proposal report by the beginning of November 2020. As a result, the Council will have greater detail about the energy conservation measures that will be installed at the 19 sites that are part of this project. It is estimated that by January 2021 the Council would be in a good position to enter the works contract with the service provider. It should be noted that once the Investment Grade Proposal report is approved, the report will be sent for approval to Salix Finance which will substitute the prudential borrowing required for the scheme with an interest free loan.

Waterton Upgrade (£2.837 million)

£8.144m was approved by Council for works associated with the Waterton upgrade. The budget was approved on the basis that the Highways depot at Waterton was to be rationalised and refurbished. The Council is now investigating the possibility of a school being constructed at Waterton thus the Highways Depot is likely to be a new construction at a location still to be identified. When a location is identified a robust estimate will be compiled and reported to Cabinet and Council for financial approval. Therefore the 2020-21 funding of £2.87 million will be slipped into 2021-22.

The balance of slippage (£2.398 million) is across a number of schemes and are minor amendments to the financial profiles of the schemes.

Capital Programme 2020-21 Onwards

- 4.5 Since the last capital report in July 2020, there have been a number of new externally funded schemes approved and internally funded schemes, which have been incorporated into the capital programme, including:

Highways Refurbishment Grant (£0.806 million)

The Council has been awarded £0.806 million from the WG Capital Funding for Local Government Public Highways Refurbishment Grant 2020-21, to undertake highway refurbishment works to the highway network. The purpose of the capital funding is to support local authorities to finance public highways refurbishment within their authority limits.

Active Travel Fund (£2.44 million)

In July 2020 WG awarded the Council with an Active Travel Fund of £2.44 million. The purpose of the fund is to increase levels of active travel, improve health and well-being, improve air quality, reduce carbon emissions, connect communities and improve active travel access to employment, education and key services, destinations and public transport. It will include an active travel package for Bridgend to Pencoed and a package of improvements for Bridgend to Coychurch and Pencoed to Pencoed College.

Due to the late notification of funding for the schemes, it is anticipated that there will only be spend of £1.583 million in 2020-21, there is likely to be slippage of

£861,000. WG cannot give assurance that this funding can be carried forward or that further grant funding will be made available in 2021-22, so the scheme has been split into phases and as much work as possible will be completed in this financial year, with the rest hopefully completed next year either through grant carried forward, additional capital funding or new bids to WG.

Fleet Replacement Programme (£0.5 million)

To enable replacement of council-wide vehicles on a cyclical nature funding of £0.5 million has been included in the capital programme in 2021-22 to be funded through prudential borrowing. The funding and corresponding charges to services will be managed through the Joint Fleet Manager.

TRI Standalone - 11a Nolton Street (£0.299 million)

The Council have been successful in securing £0.3 million from Welsh Government's Targeted Regeneration Investment (TRI) programme, for the redevelopment of 11a Nolton Street. The redevelopment, led by Coastal Housing Group (CHG) sees a key site in the town centre being brought back into use, providing 10 affordable new homes and supported by 2 commercial units. In March 2020, the Council entered into a funding agreement for the TRI grant with Coastal Housing Group.

Local Sustainable Transport Covid Response (£0.619 million)

In June 2020 WG awarded the Council with funding in relation to Local Sustainable Transport Covid Response (£0.619 million). The fund is to be used for 'pop up' measures which will include temporary low cost solutions to reallocate road space in favour of sustainable forms of transport.

Enable Grant (£0.180 million)

WG has awarded the Council with £0.18 million funding in relation to the Enable, Support for Independent Living Grant 2020-21. The purpose of the Funding is to support the delivery of adaptations and integrate service delivery.

Safer Routes in Communities (£0.222 million)

WG has awarded the Council with £0.222 million funding in relation to Safe Routes in Communities. The purpose of the funding is to support capital schemes that contribute to the Welsh Government's objectives to improve accessibility and safety and encourage walking and cycling in communities. There is particular emphasis on improving routes to and from schools. The aim is to change how people travel, resulting in greater social inclusion and improved community safety. Specifically this will be used to fund the Coity Higher Community Safe Routes Phase II.

A small number of other minor additions to the programme are listed below:

- Investment in ICT - £0.24 million WG Covid-19 contribution to ICT costs.
- Pyle Park and Ride Metro and Penprysg road bridge - £0.2 million Local Transport Fund grant.
- Bryngarw House & Pencoed Library - £0.05 million for agreed minor works schemes funded via the minor works revenue budget.

- 4.6 There are a number of other schemes within the Capital Programme that are awaiting confirmation of external funding over the Autumn period. Once approval is known, it may also result in some schemes needing re-profiling. The Capital Programme has not been updated at this time for these schemes and further reports will be brought to Cabinet and Council in due course for approval.

A Revised Capital Programme is included as **Appendix B**.

Prudential and Other Indicators 2020-21

- 4.7 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.
- 4.8 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.
- 4.9 **Appendix C** 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.

Capital Strategy Monitoring

- 4.10 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.
- 4.11 The Council has a number of Other Long Term Liabilities which are included within the Capital Strategy. No new loans have been taken out in quarter 2.

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. It is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing 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 outlined in the body of the report.

9. Recommendation

9.1 It is recommended that Cabinet:

- note the Council's capital programme for 2020-21 for the period to 30 September 2020 (**Appendix A**);
- agrees that the revised Capital Programme (**Appendix B**) be submitted to Council for approval;
- note the projected Prudential and Other Indicators for 2020-21 (**Appendix C**).

Gill Lewis

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October 2020**

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Background documents:

Capital Strategy 2020-21– Report to Council 26 February 2020

Capital Programme Q1 Update 2020-21 – Report to Council 22 July 20

Medium Term Financial Strategy 2020 onwards – Report to Council 26 February 2020