

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

19 JANUARY 2021

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

CAPITAL PROGRAMME UPDATE - QUARTER 3 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 31 December 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 21 October 2020. This report provides an update on the following areas:

- Capital Programme 2020-21 Quarter 3 update
- Capital Programme 2020-21 onwards
- Prudential and Other Indicators
- Capital Strategy monitoring

4. Current Situation / Proposal

Capital Programme 2020-21 Quarter 3 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 £33.888 million, of which £17.960 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £15.928 million coming from external resources, including

General Capital Grant. Table 1 below shows the capital programme for each Directorate from the October 2020 (Quarter 2) approved Council position to quarter 3:

Table 1 – Capital Programme per Directorate 2020-21

Directorate	Approved Council 21-Oct-20 £'000	New Approvals & Adjustments £'000	Virements £'000	Slippage to future years £'000	Revised Budget 2020-21 £'000
Education & Family Support	7,249	25	150	(1,865)	5,559
Social Services and Well-being	2,291	471	150	(1,674)	1,238
Communities	39,846	(5,618)	(300)	(10,737)	23,191
Chief Executive's	4,155	5	0	(260)	3,900
Total	53,541	(5,117)	0	(14,536)	33,888

- 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	5,030
Earmarked Reserves	5,387
Unsupported Borrowing	2,184
Supported Borrowing	3,986
Other Loans	1,305
Revenue Contribution	68
Total BCBC Resources	17,960
<i>External Resources:</i>	
Grants	15,928
Total External Resources	15,928
TOTAL RESOURCES	33,888

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 As is usual at this point in the financial year, a number of schemes have been identified that require slippage into future years. Slippage is usually not undertaken until quarter 3 to ensure we have as much information as possible on likely timescales and costs. However, this year is showing unprecedented levels of slippage as a result of the additional impact of the Covid-19 pandemic, resulting in lockdowns, additional social distancing measures required and delays in sourcing materials. These are all reflected below. The total requested slippage is £14.536 million, which includes the following schemes:

Children's Residential Accommodation Hub (£1.564 million)

The COVID-19 pandemic has hindered the construction timescales considerably due to a lack of supplies and staff shortages mainly as a result of furlough. Internal Council departments, such as planning and procurement, have also had resource issues which have contributed to the delays.

The original scheduled start date for the tender process was May 2020, however this is now scheduled for January 2021, the delay of 7 months being as a result of the delays mentioned above. The current schedule for the completion of the tender exercise is likely to be March 2021 with construction starting in April 2021. As a result £1.564 million of the funding will be slipped into 2021-22.

The original profile of the Integrated Care Fund (ICF) grant funding approved for the scheme was £0.300 million in 2020-21 and £0.600 million in 2021-22. Due to the delays with the scheme there is a risk that there will be a shortfall in draw down of ICF grant funding in 2020-21 and as slippage cannot currently be guaranteed there is a risk an element of the grant funding will be lost. There is a potential that earmarked reserves will have to be used to mitigate any loss of grant, and if this is required it will be reported back at a later date.

Road Safety Improvements Heol Mostyn Junction (£0.540 million)

Following delays to the tender process as a result of the COVID-19 pandemic, tenders are only now being assessed and the contractor is due to be appointed during January 2021. To allow for preparation and mobilisation, construction is now expected to commence in March/April 2021, with an anticipated completion of summer 2021. Therefore £0.54 million funding is being slipped into 2021-22.

Economic Stimulus Grant (£0.887 million)

This funding is now part of a wider fund called the Economic Futures Fund (EFF) and as such will be reported against the overall delivery of that fund. It was set up to support Local Economic Recovery as the economy moved out of lockdown restrictions in 2020. The economy however has moved in and out of restrictions over the last 9 months, and continues to do so, and therefore the focus has been on the deployment of direct grant funding to businesses impacted by the varying restrictions rather than on longer term deployment of

the EFF and as such the £0.887million as part of the EFF will be slipped for use in 2021-22.

Coastal Risk Management Program – Porthcawl (£0.750 million)

The tender process is nearly complete however the contract will not be awarded until the final funding approval is received from Welsh Government. It is anticipated that this will be received by the end of January 2021. As a result it is anticipated that works will now commence in February 2021, therefore £0.750 million funding is being slipped for use in 2021-22 to reflect the revised schedule of works.

Maesteg Town Hall Cultural Hub (£3.050 million)

The project has been delayed by around 34 weeks due to COVID-19 and also additional unforeseen works required to the clock tower, which will be met from within the scheme budget. Therefore £3.050 million is being slipped for use in 2021-22.

Caerau Heat Network (£1.939 million)

A review of the scheme has identified that the use of mine-water as a heat source is not a viable option under the scheme. However, alternative technologies may provide a renewable heat scheme in Caerau. Approval to undertake an options appraisal is being sought from Cabinet to consider and identify alternative delivery models that are deliverable within the financial envelope of the scheme, can be delivered within the timescales and meet the requirements of the European grant funding.

The balance of slippage (£5.806 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 October 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:

Trem y Mor (£0.435 million)

The Council has been awarded £0.400 million as part of the Cwm Taf Morgannwg University Health Board Integrated Care Fund (ICF) Capital grant. The funding will be used to construct an office space on top of the existing flat roof at Trem Y Mor, providing more space to allow Health and Social Services staff to deliver an integrated service.

The total cost of the scheme is anticipated to be £0.435 million with an additional £0.035m being funded from an existing directorate earmarked reserve. Due to delays with the scheme there is a risk that, if there is any slippage, there will be a shortfall in draw down of ICF grant funding in 2020-21 and as slippage cannot currently be guaranteed there is a risk that an element of the grant funding will be lost. There is a potential that earmarked reserves

will have to be used to mitigate any loss of grant, and if this is required it will be reported back at a later date.

Berwyn Centre and Ogmore Vale Washeries (£0.186 million)

In December 2020 WG awarded the Council £0.186 million in relation to Berwyn Centre and Ogmore Vale Washeries - Covid recovery funding for town centres. The funding will be used to provide a suitable outdoor seating and meeting place with ample space for social distancing in the small town of Nantymoel. At the Ogmore Vale Washery site it is to be used to provide an area that can improve the quality of life, health and wellbeing of the local community by providing a safe and accessible environment in which to walk, relax, learn and play. This will include improved infrastructure for walking, cycling, running and other forms of physical activity ensuring access issues and health and safety are given full consideration.

Covid recovery for town centres (£0.360 million)

In December 2020 WG awarded the Council £0.360 million funding to enable the Council to extend its current 'Transforming Towns Covid-19 Recovery' programme to its Valley Task Force areas.

This funding will be focused on offering support to commercial businesses within the Northern Valleys in order to encourage people to return to their local commercial areas and to ensure there is a common sense of wellbeing, safety and confidence in these areas.

The funding is to be used primarily for external interventions, in order to facilitate social distancing in external areas and to enable citizens to participate in commercial activity in a new, yet innovative manner.

Three other minor additions to the programme are:

- Porthcawl Resort Investment Focus - £0.074 million ERDF grant
- ICF capital funding - £0.035 million for the purchase of 2 vehicles for Social Services
- Complex and Medical Needs Work in Schools - £0.025 million revenue contribution for provision of ALN at Cefn Cribwr Primary School

4.6 Other schemes which have material changes since the October report are as follows:

Active Travel Pencoed Technology Park

The scheme has been truncated due to Covid-19 and the expected spend this year is projected at £1.716 million. £0.050 million has been vired to the Penprysg Road Bridge scheme to cover an expected overspend. As a result of the reduced scheme there will be an under spend of £0.678 million. WG cannot give assurance that this funding can be carried forward or that further grant funding will be made available in 2021-22 therefore the capital grant allocation has been reduced.

Cardiff Capital Region City Deal

The contributions to the scheme by the 10 partner local authorities has been reviewed and a revised profile of contributions has been proposed. The Council's contribution for 2020-21 has been reduced from £1.575 million to £0.396 million though contributions in future years has been brought forward and this is reflected in the revised Capital Programme. In addition, £3.977 million of Treasury funding of the City Deal scheme has been shown as a negative approval in 2020-21 as the funding from Treasury will flow directly to the City Deal Joint Committee. The total contribution by the Council to the City Deal has not changed.

Sustainable Transport Covid

In June 2020 WG awarded the Council with funding in relation to Local Sustainable Transport Covid Response of £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. The funding has to be used by 31 March 2021 and the projected spend for this year is only £0.350 million and the balance of the grant of £0.269 million cannot be utilised. Therefore the capital grant allocation has been reduced to reflect this.

- 4.7 There are a number of other schemes within the Capital Programme that are awaiting confirmation of external funding over the winter period. Once approval is known, it may also result in some schemes needing to be re-profiled. 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

- 4.8 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.
- 4.9 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.
- 4.10 **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

- 4.11 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.
- 4.12 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 3.

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 31 December 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**).

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Background documents:

Capital Strategy 2020-21– Report to Council 26 February 2020
Capital Programme Q2 Update 2020-21 – Report to Council 21 October 20
Medium Term Financial Strategy 2020 onwards – Report to Council 26 February 2020