

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

20 JULY 2021

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

**CAPITAL PROGRAMME OUTFURN 2020-21 AND QUARTER 1 UPDATE
REPORT 2021-22**

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 2020-21 (**Appendix A**)
- provide an update of the capital position for 2021-22 as at 30 June 2021 (**Appendix B**)
- seek agreement from Cabinet to present a report to Council for approval for a revised capital programme for 2021-22 to 2030-31 (**Appendix C**)
- note the projected Prudential and Other Indicators for 2021-22 (**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 focused on raising the skills, qualifications and ambitions of 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** – ensuring 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 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 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. The Council's Capital Strategy, incorporating the Prudential Indicators for 2021-22, was approved by Council on 24 February 2021.

3.4 On 26 February 2020 Council approved a capital budget of £56.434 million for 2020-21 as part of a capital programme covering the period 2020-21 to 2029-30. The programme was last updated and approved by Council on 23 June 2021. This report provides an update on the following:

- Capital Programme outturn 2020-21
- Capital Programme monitoring quarter 1 2021-22
- A revised Capital Programme for 2021-22 to 2030-31
- Capital Strategy monitoring
- Prudential and other indicators

4. Current situation/proposal

4.1 Capital Programme Outturn Position 2020-21

4.1.1 This section of the report provides Members with an update on the Council's capital programme for 2020-21. The original budget approved by Council on 26 February 2020 has been further revised and approved by Council during the

year to incorporate budgets brought forward from 2019-20 and any new schemes and grant approvals. The most recent programme for 2020-21, approved by Council in February 2021 as part of the Medium Term Financial Strategy, totalled £35.440 million, of which £12.419 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts, revenue contributions from earmarked reserves and borrowing, with the remaining £23.021 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 2020-21 compared to the actual spend. The revised programme was only approved in February 2021, so there have been few amendments since then other than the following main changes:

- new approvals of £3.060 million mainly as a result of new grant schemes from Welsh Government (WG) – these include £2.329 million School Maintenance Grant, £0.149 million Capital grant East Hub – Brynteg Comprehensive, £0.174 million Green Recovery grant and £0.148 million Circular Economy grant.
- £0.318 million funding brought back from 2021-22 to reflect updated spend profiles.

This brings the revised budget to £38.818 million.

4.1.3 Total expenditure as at 31 March 2021 is £23.461 million which, after slippage of £14.376 million into 2021-22 and adjustments to grant funded schemes of £0.842 million, results in a total under spend of £0.139 million, which will be returned to Council funding. During the year a number of schemes have commenced but not been completed during the year, or have been moved wholly into 2021-22. These include Coastal Risk Management Program – Porthcawl, WCCIS hardware refresh, Caerau Heat Network, and regeneration works at Llynfi Valley. Slippage has arisen as a direct result of the Covid 19 pandemic and also due to a number of other 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.

4.1.4 Net slippage into 2021-22 of £14.058 million is required, the main schemes being:

- £2.424 million School Capital Maintenance grant. Following the Council being awarded a late School Capital Maintenance grant of £2.329 million for 2020-21 from Welsh Government, the existing earmarked reserve funding has slipped and will now be utilised in 2021/22.
- £1.189 million WCCIS Hardware refresh, due to delays in the software being procured, shipped, installed and tested which resulted in the project now being completed later than anticipated.

- £1.274 million of funding for minor capital works has slipped due to the delay in completing a number of schemes.
- £0.750 million Coastal Risk Management Porthcawl due to late receipt of the funding award from Welsh Government and delays in the contract being awarded which has meant that site works did not commence until April 2021.
- £0.629 million Salix Street Lighting. The original Salix funding was for 3 years and due to end in March 2021, however due to the disruption caused by the Coronavirus pandemic and the lack of supply by manufacturers it has been necessary to request an extension until September 2021. This extension has been approved and the project is on target for completion in September 2021.
- £0.687 million TRI Thematic Projects funding has slipped due to delays in projects being awarded. There are 7 thematic properties and 5 Covid projects that received grant approval by March 2021, with improvement works currently being undertaken.
- £0.549 million Welsh Medium Childcare provision Bettws has slipped as a result of the project start date being delayed due to demolition works not being able to complete until September 2021 for ecological reasons. This resulted in project costs increasing and has meant that it was necessary to re-tender the project, in readiness for a September start date.
- £0.360 million re Pyle Community Recycling Centre. Following the Council being awarded two late grants from WG at the end of the year the budget for the scheme increased by £0.272 million. While the grants were utilised in 2020/21 the remaining funding of £0.360 million has slipped and will be used towards the unforeseen costs on site, most notably finding contaminated ground at the Pyle site that had to be remediated to enable construction to proceed.

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 2021-22 since the budget was last approved by Council and incorporates any new schemes and grant approvals. The revised programme for 2021-22, currently totals £87.347 million, of which £53.067 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts, revenue contributions from earmarked reserves and borrowing, with the remaining £34.280 million coming from external resources, including General Capital Grant. Table 1 below shows the capital programme for each Directorate from the June 2021 approved Council position to quarter 1:

Table 1 – Capital Programme per Directorate 2021-22

Directorate	Approved Council June 2021 £'000	Slippage Brought forward from 2020-21 £'000	New Approvals and Adjustments £'000	Slippage to future years £'000	Revised Budget 2021-22 £'000
Education & Family Support	11,632	3,056	303	(225)	14,766
Social Services and Well-being	2,434	681	0	0	3,115
Communities	46,933	8,471	7,392	0	62,796
Chief Executive's	4,988	1,850	(122)	0	5,716
Council Wide	1,929	0	(975)	0	954
Total	66,916	14,058	6,598	(225)	87,347

4.2.2 Table 2 below summarises the current funding assumptions for the capital programme for 2021-22. 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 2021-22 Resources

CAPITAL RESOURCES	£'000
<i>BCBC Resources:</i>	
Capital Receipts	20,357
Earmarked Reserves	20,648
Unsupported Borrowing	7,287
Supported Borrowing	3,953
Other Loans	9,552
Revenue Contribution	822
Total BCBC Resources	62,619
<i>External Resources:</i>	
Grants	24,728
Total External Resources	24,728
TOTAL RESOURCES	87,347

4.2.3 Appendix B provides details of the individual schemes within the capital programme, showing the budget available in 2021-22 compared to the projected spend at 30 June 2021.

4.2.4 There are a number of amendments to the capital programme for 2021-22, 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.

Bryncethin Depot

The Capital Programme Update report to Council on 23 June 2021 included £300,000 of capital funding that is required to continue with essential repairs and physical enhancement of the depot in order to provide an expanded fit for purpose and low carbon facility. An opportunity has arisen to apply for Salix funding to extend this project further. The investment is intended to replace all existing light fittings within the offices with LED light fittings, install a roof mounted solar PV system to reduce dependency on the electricity network and battery storage for onsite renewable energy generation. These works are estimated to cost £178,000, with an interest free loan of £94,000 being applied for from Salix. The balance of the project would be met from the existing £300,000 capital funding for Bryncethin Depot. If the Salix funding application is not successful then this part of the scheme would not proceed. A further update will be provided in the next Capital Programme update to Council.

Bridgend Heat Network - £2.89 million

A report was presented to Cabinet and Council in March 2021 seeking approval for the inclusion of a budget of £3.39 million within the capital programme for the development of the Bridgend Town Heat Network Project. Council gave approval for the budget to be included, in addition to approval for a loan of £1.821 million from the Council to the proposed Special Purpose Vehicle. A budget of £500,000 was already included within the capital programme for Smart Systems and Heat so the new approval in the programme is for the additional £2.89 million.

Evergreen Hall - £0.130 million

Evergreen Hall has been a standalone building since development in 1985. Following the lease being surrendered by Bridgend Town Council in late 2020, evaluation and feasibility assessments have been undertaken to identify refurbishment works that are required to ensure the ongoing use of the Hall by the Council. Part of these works include replacement of the standalone heating and electrical installations that are at the end of their economic life. The works

will be funded by an earmarked reserve established in 2020-21 that had been based on the evaluation and feasibility assessments.

Maesteg Town Hall £0.250 million

The Maesteg Town Hall re-development project has been progressing confidently, albeit with some programme and spend slippage due to unforeseen repair works to the clock tower and roof cupolas along with the implications of the Covid-19 pandemic, which has meant that some construction activities have been re-programmed and re-configured to adhere to Covid regulations. As such, actual spend for 2020-21 financial year was slightly lower than forecasted and these works will now be completed in 2021-22. Construction activity to date has included extensive repair to the existing building which is progressing well and in the coming period, works will commence to the new extension.

Since the last Capital programme update, the Council has been successful in securing an additional £250,000 from Welsh Government's Building for the Future programme. This has meant there have been some variations to funding however the total scheme cost has remained the same.

Enable Grant £0.198 million

WG has awarded the Council with £0.198 million funding in relation to the Enable, Support for Independent Living Grant 2021-22. The purpose of the funding is to support the delivery of adaptations and integrate service delivery.

Local Government Public Highways Refurbishment Grant £0.810 million

WG has awarded the Council with £0.810 million funding in relation to Capital Funding for Local Government Public Highways Refurbishment Grant. The purpose of the funding is to support local authorities to finance public highways refurbishment within their authority limits.

Fleet - £0.12 million

To enable replacement of 3 special access vehicles, funding of £0.120 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 by the Joint Fleet Manager.

Active Travel Fund - £2.85 million

WG has awarded the Council with £2.85 million funding in relation to the Active Travel fund. The Purpose of the Active Travel Fund is to increase levels of active travel, improve health & 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 allocation for Bridgend to Pencoed (Phase 2), Pyle to Porthcawl (Phase1) as well as various other smaller schemes.

WG Resilient Roads Fund & Ultra Low Emissions Vehicle Transformation Fund Grants £0.937 million

WG has awarded the Council with £0.937 million funding in relation to the Resilient Roads Fund & Ultra Low Emissions Vehicle Transformation Fund Grants. The purpose of the Resilient Roads fund is to enable the Council to support transport projects that mitigate and adapt to the effects of climate

change, including addressing disruptions caused on the highway network by severe weather. The purpose of the Ultra Low Emission Vehicle Transformation Fund is to promote electric vehicle charging infrastructure projects in alignment with the Welsh Government's EV Charging Strategy.

Maes yr Haul – Solar Panels £0.032 million

Maes yr Haul Primary School has been working with the Council's Energy Manager and Corporate Landlord Section on a project to install solar panels on the roof of the school, in order to help to reduce the school energy bills and enable it to become more self-sufficient. The project will be funded from the school's delegated budget (£32,000). The school is estimated to recoup the investment within four years.

Cynffig Comprehensive School External Canopy £0.042 million

Cynffig Comprehensive School have been working with the Corporate Landlord section on a project to install an external canopy which would provide the school with a partially closed in facility providing shelter to the pupils from the weather and can also act as an outside teaching facility if/when required. The project will be funded from the school's delegated budget. (£42,115)

Porthcawl Waterfront Regeneration Scheme

In order to further progress the regeneration of the Porthcawl Waterfront Area a draft land use framework and masterplan has been produced for consideration as part of the replacement Local Development Plan process. In order to enable the scheme proceed in a comprehensive way that reflects the draft land use framework a report to Cabinet on 20 July 2021 seeks formal resolution of the Cabinet to make, advertise, notify and progress confirmation of a Compulsory Purchase Order (CPO) to acquire land. Given the CPO is yet to be made it is premature to confirm what compensation payments will have to be made or to what value. Notwithstanding this, Cabinet and Council approval is sought for officers to include a capital budget in the capital programme from unallocated capital funding at the earliest opportunity. Once the need for compensation payments and the amounts which will be required are clarified a report will be made back to Cabinet and Council to finalise the amount for the capital programme, with any such payments to be reimbursed from future sale receipts from disposal of the land at Porthcawl.

4.2.5 A revised Capital Programme is included as Appendix C.

4.3 Prudential and Other Indicators 2021-22 Monitoring

4.3.1 In February 2021, Council approved the Capital Strategy for 2021-22, which included the Prudential Indicators 2021-22 to 2023-24 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 2020-21, the estimated indicators for 2021-22 set out in the Council's Capital Strategy and the projected indicators for 2021-22 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 £5.035 million at 31 March 2021.

- 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 £14.77 million at 31 March 2021. This is a 25 year agreement which will end during the 2033-34 financial year. Other long term liabilities totalling £2.037 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 Act 2010 implications

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. Projects within the capital programme will be subject to the preparation of Equality Impact Assessments before proceeding. However, it is considered that there will be no significant or unacceptable equality impacts as a result of 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 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 outlined in the body of the report.

9. Recommendations

9.1 It is recommended that Cabinet:

- notes the capital outturn for 2020-21 (**Appendix A**)
- notes the Council's Capital Programme 2021-22 Quarter 1 update to 30 June 2021 (**Appendix B**)
- agree that the revised Capital Programme (**Appendix C**) be submitted to Council for approval
- notes the projected Prudential and Other Indicators for 2021-22 (**Appendix D**)

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Background documents: None