

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

19 OCTOBER 2021

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

CAPITAL PROGRAMME UPDATE - QUARTER 2 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 of the capital position for 2021-22 as at 30 September 2021 (**Appendix A**)
- seek agreement from Cabinet to present a report to Council for approval for a revised capital programme for 2021-22 to 2030-31 (**Appendix B**)
- note the projected Prudential and Other Indicators for 2021-22 (**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 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 24 February 2021 Council approved a capital budget of £62.363 million for 2021-22 as part of a capital programme covering the period 2021-22 to 2030-31. The programme was last updated and approved by Council on 21 July 2021. This report provides an update on the following:
- Capital Programme monitoring quarter 2 2021-22
 - A revised Capital Programme for 2021-22 to 2030-31
 - Capital Strategy monitoring
 - Prudential and other indicators

4. Current situation/proposal

Capital Programme 2021-22 Quarter 2 update

- 4.1 This section of the report provides Members with an update on the Council's capital programme for 2021-22 since it was last approved by Council and incorporates any new schemes and grant approvals. The revised programme for 2021-22 currently totals £76.600 million, of which £54.378 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £22.222 million coming from external resources, including General Capital Grant. Table 1 below shows the capital programme for each Directorate from the July 2021 (quarter 1) approved Council position to quarter 2:

Table 1 – Capital Programme per Directorate 2021-22

Directorate	Approved Council July 2021 £'000	New Approvals £'000	Virements £'000	Slippage to future years £'000	Revised Budget 2021-22 £'000
Education & Family Support	14,766	387	283	0	15,436
Social Services and Well-being	3,115	0	396	(1,936)	1,575
Communities	62,796	1,117	(429)	(10,890)	52,594
Chief Executive's	5,716	575	0	0	6,291
Council Wide	954	0	(250)	0	704
Total	87,347	2,079	0	(12,826)	76,600

- 4.2 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	18,704
Earmarked Reserves	15,557
Unsupported Borrowing	5,465
Supported Borrowing	3,953
Other Loans	9,552
Revenue Contribution	1147
Total BCBC Resources	54,378
<i>External Resources:</i>	
Grants	22,222
Total External Resources	22,222
TOTAL RESOURCES	76,600

- 4.3 **Appendix A** provides details of the individual schemes within the capital programme, showing the budget available in 2021-22 compared to the projected spend at 30 September 2021.
- 4.4 A number of schemes have already been identified as requiring slippage of budget to future years (2022-23 and beyond). At quarter 2 the total requested slippage is £12.826 million, which comprises the following schemes:

City Deal (£2.702 million)

The Council's contribution to Cardiff Capital Region City Deal has been slipped due to a revised funding profile for the scheme. The overall contribution remains unchanged.

Childrens Residential Hub (£1.936 million)

The Brynmenyn Hub project has been delayed as a result of the contractor going into administration shortly before they were due to start the demolition process, requiring a retender for the required works. Arrangements are underway to re-procure a demolition contractor in order to complete demolition as soon as possible. The demolition process has earmarked funds of £0.1 million and this is likely to be the only major spend on the project before 31 March 2022. Remaining funding is to be slipped into 2022-23, when the Council will need to tender for the main building contract.

Porthcawl Townscape Heritage Initiative (£0.119 million)

Whilst two schemes will be completed this year, £0.119 million will be allocated to other Heritage Initiatives Projects across Bridgend, Maesteg and Porthcawl in 2022-23.

Community Play Areas (£0.696 million)

The project team is still in the process of developing the commissioning specification, which has taken longer than anticipated, so whilst the play areas work will commence in the spring, the majority of the programme will be delivered in the summer of 2022. The budget will be adjusted accordingly to reflect this position.

Caerau Heat Network (£4.373 million)

A review of the scheme is in progress and works are unlikely to commence until 2022-23. A report will be presented to Cabinet as soon as possible to provide an update on progress of the scheme.

Bridgend Town Heat Scheme (£3.0 million)

The project is nearing the end of the procurement process to appoint the design, build operate and maintain contractor. This process is expected to conclude by the end of October 2021 and a report taken to Cabinet in November 2021 to approve the appointment of the contractor. It is anticipated that construction will commence in February 2022.

Capital Programme 2021-22 Onwards

- 4.5 Since the last capital report approved by Council in July 2021, there have been a number of new externally funded schemes approved and internally funded schemes, which have been incorporated into the capital programme, including:

Active Travel Fund (£0.098 million)

Welsh Government has awarded the Council with an additional £0.098 million to meet the full costs required to deliver crossing points/footway works and further design, to enhance connections from Pyle railway station to Pyle cross, Village Farm Industrial Estate and Cynffig Comprehensive School.

Bridgend College Relocation (£0.650 million)

Welsh Government has awarded the Council with £0.910 million from the Transforming Towns Programme towards Phase 1 of the Bridgend College Relocation. This is a proposed joint regeneration scheme with Bridgend College to redevelop a strategically located site within Bridgend Town Centre. The proposal is for the Council to acquire the current Police Station site at Cheapside and to demolish the existing building, with the aim of leasing the site to Bridgend College via a long-term lease. This will enable the relocation of the remaining education provision at Bridgend College's Cowbridge Road campus to the Town Centre. The £0.650 million represents the capital cost of acquiring the site.

Abercerdin Primary School Community Hub (£0.3 million)

Abercerdin Primary School are proposing a scheme of works to create a community focused hub within the curtilage of the school grounds. The works are estimated to cost £0.30 million including all fees and costs. It is proposed that these works are jointly funded by the school and the Council. The Council's contribution of £0.105 million will be funded from the Welsh Government Schools Capital Maintenance Grant 2021-22. In addition a £0.195 million revenue contribution has been added to reflect the school's funding contribution.

Brynteg Comprehensive School Multi Use Sports Pitch (£0.324 million)

The Redgra surfaced pitch at Brynteg Comprehensive School has become dilapidated and uneven, which has led to drainage issues often rendering the surface un-usable. A replacement is needed that includes new floodlights to maximise usage through the winter and outside of school hours. The estimated project cost is £0.324 million. It is proposed that the cost of the project is funded equally by the school and Council. The Council's contribution of £0.162 million will be funded from the Welsh Government Schools Capital Maintenance Grant 2021-22. In addition, a £0.162 million revenue contribution has been added to reflect the schools funding contribution.

Accessibility & Safety Road Improvements (£0.148 million)

Welsh Government has awarded the Council with additional transport grant of £0.148 million. This funding will enable safety and accessibility enhancements to be made from Broadlands to Newbridge Fields, at a cost of £0.057 million,

with the remaining £0.091 million allocation being ringfenced for a Minor Road Crossing Improvement Programme.

Minor Works (£0.221 million)

An additional £0.221 million has been added to the programme in relation to a range of planned minor works which are of a capital rather than revenue nature so are now included as part of the capital program. These will be funded from the existing revenue minor works budget.

Health and Wellbeing Village (£0.480 million)

The Sunnyside Wellness Village is a proposed integrated social housing, health and green open space project on the edge of Bridgend Town Centre that is being developed by Linc Cymru. £0.480 million of grant funding from the Integrated Care Fund capital budget has been approved towards the scheme overall costs. The funding agreement is directly between Cwm Taf Morgannwg University Health Board and the Council. It is condition of the funding letter that the Council must put in place appropriate grant terms and conditions in line with their funding conditions when passing the funding on to any third party recipient. It is anticipated that these conditions will be met during the second half of 2021-22 and the funding will be passed to Linc Cymru.

Maesteg Town Hall (0.250 million)

Further additional essential works have been identified as part of the construction contract for Maesteg Town Hall. These are in respect of;

South Annex Roof

Following removal of the existing roof covering to replace with new, it was discovered that the timber supporting beams, of which some are supported by the buildings historic apse, are in need of urgent replacement. Surveys undertaken previously and which formed the basis of the returned tender costs showed the timber in adequate condition, but since this time they have degenerated to a state where replacement is required. The project team are currently designing options for renewal however the total cost of the works is expected to be in the region of £0.100 million.

Ground Contamination

Following preparation works for the building extension on Talbot Street, non-hazardous contamination has been found in the ground under the former external staircase. Ground investigation surveys were carried out at design stage and several trial holes were undertaken in the area, however it was not possible to survey the area previously due to the external staircase being in situ. Recent site test investigations have revealed the contamination is localised and costs for its removal are currently being assessed. The contractors estimate the cost of this to be in the region of £0.120 million.

Gantries

A concern has been raised in regard to the gable walkways and high level gantry access over the stage and leading towards the attic space over the main hall. Anticipated cost for repair is circa £0.040 million.

Contingency funding is being ringfenced for the purpose of these works with a £0.250 million addition from the unallocated capital fund but not for any other unforeseen works. If alternative funding is approved at a later date any new grant funding will be used to replace the additional £0.250 million unallocated capital fund contribution.

CCTV WiFi Project (£0.072 million)

A Smart Borough is a place where existing networks and services are made more efficient through the use of digital technologies for the benefit of residents and businesses in that area. The CCTV infrastructure will be providing the foundations for a Smart Borough and it presents the opportunity of overlaying Wi-Fi services onto the infrastructure. This will provide a “free public usage” Wi-Fi model which will encourage users to visit the Council’s Wi-Fi landing page to access information and services safely. The Wi- Fi project will initially cover 4 key areas, Bridgend, Porthcawl, Maesteg and Pencoed and will cost £0.072 million which is to be funded from a revenue contribution to capital.

- 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.
- 4.7 A revised Capital Programme is included as **Appendix B**.

Prudential and Other Indicators 2021-22 Monitoring

- 4.8 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.
- 4.9 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 within the Capital Strategy 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.
- 4.10 Appendix C 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.

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 £5.090 million at 31 March 2021.
- 4.12 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), 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 £2.036 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 Council's Capital Programme 2021-22 Quarter 2 update to 30 September 2021 (**Appendix A**)
- agree that the revised Capital Programme (**Appendix B**) be submitted to Council for approval
- notes the projected Prudential and Other Indicators for 2021-22 (**Appendix C**)

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October 2021

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Background documents:

None