

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

18 JANUARY 2022

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL PROGRAMME UPDATE - QUARTER 3 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 31 December 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 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 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 20 October 2021. This report provides an update on the following:
- Capital Programme monitoring quarter 3 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 3 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 £49.603 million, of which £28.495 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £21.108 million coming from external resources, including Welsh Government General Capital Grant. Table 1 below shows the capital programme for each Directorate from the October 2021 (quarter 2) approved Council position to quarter 3:

Table 1 – Capital Programme per Directorate 2021-22

Directorate	Approved Council October 2021 £'000	New Approvals £'000	Virements £'000	Slippage to future years £'000	Revised Budget 2021- 22 £'000
Education & Family Support	15,436	2,436	0	(6,984)	10,888
Social Services and Well-being	1,575	0	1	0	1,576
Communities	52,594	596	(1)	(23,045)	30,144
Chief Executive's	6,291	0	27	0	6,318
Council Wide	704	0	(27)	0	677
Total	76,600	3,032	0	(30,029)	49,603

- 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	4,643
Earmarked Reserves	8,632
Unsupported Borrowing	1,513
Supported Borrowing	3,953
Other Loans	8,660
Revenue Contribution	1,094
Total BCBC Resources	28,495
<i>External Resources:</i>	
Grants	21,108
Total External Resources	21,108
TOTAL RESOURCES	49,603

- 4.3 **Appendix A** provides details of the individual schemes within the capital programme, showing any new approvals, virements and slippage to the revised budget 2021-22.
- 4.4 A number of schemes have already been identified as requiring slippage of budget to future years (2022-23 and beyond). At quarter 3 the total requested slippage is £30.029 million, which comprises the following schemes:

Highways Schemes Band B Schools (£3.400 million)

The highways budget in relation to Band B schemes will be expended once works have been designed and commissioned. It is anticipated that costs will be incurred in future years of the programme. Therefore £3.400 million is being slipped for use in 2022-23.

Schools Capital Maintenance (£2.436 million)

Welsh Government has awarded the Council with £2.436 million capital funding grant towards improving ventilation, supporting decarbonisation and reducing backlog maintenance in schools. As a result of this the existing funding for school maintenance across a number of schemes has been slipped and will now be utilised in 2022-23.

Fleet Vehicles (£1.376 million)

Due to delays in procuring vehicles and a global shortage of electronic components, there is no more spend anticipated in 2021-22. Therefore the £1.376 million budget is being slipped for use in 2022-23.

Cosy Corner (£1.965 million)

The project is still currently in the design stages with a planning decision due in January 2022. It is anticipated that the construction works and landscaping elements of the scheme will then take place during summer 2022, upon successful appointment of a suitable contractor. Therefore £1.965 million is being slipped into 2022-23.

Porthcawl Regeneration (£2.441 million)

Development work is still ongoing. It is anticipated that enabling works in relation to the scheme will commence in 2022-23 therefore £2.441 million is being slipped for future use.

Coastal Risk Management Programme (£2.000 million)

The scheme tender process was completed in November 2020. As this was a Welsh Government part funded scheme there was a need to gain an award letter from Welsh Government. This, coupled with the standard procurement award process being followed, meant that the scheme was unable to start until March 2021, and at this stage it was only minor setup costs that were incurred. The scheme was anticipated to take 18 months, however the delay in the start of physical works on site has pushed the completion date into October 2022. This has resulted in £2.000 million slipping into 2022-23.

Maesteg Town Hall (£2.976 million)

Project progress for this financial year is less than anticipated due to Covid-19 and the associated re-programming to accommodate safe working conditions in line with social distancing and to mitigate against labour shortages due to positive covid cases. Clock tower works and the requirement to delay other repair works due to the associated scaffolding required for the clock tower has also had an impact. These have resulted in the construction works now programmed to be completed by August 2022 with the town hall reopening in November 2022. Therefore £2.976 million is being slipped for use in 2022-23.

Capital Asset Management Fund (£0.820 million)

This is a one-off fund that was established in 2019-20 to meet the costs of works to comply with any health and safety or other legislative requirements in respect of the Council's assets, taking into account the results of condition surveys. Any allocations from this budget are agreed by Corporate Management Board. No spend is planned on the fund during this financial year. Therefore £0.820 million has been slipped into 2022-23.

Enterprise Hub Innovation centre (£1.802 million)

A limited and significantly over-budget response to the tender invitation has led to delays as the project team reviews procurement options. Further new units are currently in the planning process and a review is underway in relation to highway implications. Revisions to the programme timetable will be based on the outcome of these pieces of work and therefore £1.802 million is being slipped into 2022-23 leaving a budget of £0.100 million to cover fees likely to be incurred this year.

Waterton Upgrade (£8.144 million)

The progression of the scheme is dependent on the inclusion of a capital receipt from the sale of land at Waterton (£3.5 million estimated). As a result there is no capital spend anticipated in the current financial year although there is likely to be survey fees. A cabinet report is being prepared to identify the alternative options for the highways depot, following which, the capital budget will need to be reviewed and any proposed changes brought back to cabinet and council. £8.144 million has therefore been slipped to 2022-23.

The balance of £2.669 million is made up of various other schemes with individual slippages under £0.5 million.

Capital Programme 2021-22 Onwards

- 4.5 Since the last capital report approved by Council in October 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:

Schools Capital maintenance Grant (£2.436 million)

As noted above, Welsh Government has awarded the Council £2.436 million to be used towards improving ventilation, supporting decarbonisation and reducing backlog maintenance in schools. A condition of this grant was that it

had to be used by 31 March 2022 and it was therefore utilised against schemes originally funded by the Council. The Council funding was slipped into 2022-23.

Fleet Transition Ultra Low Emissions Vehicles (£0.300 million)

Welsh Government set the ambition for all cars and light vans to be net zero by 2025 and all fleet vehicles to be ultra-low carbon by 2030 and have awarded funds via the Welsh Local Government Association (WLGA) to support this transition for the public sector in Wales. The Council has been awarded £0.300 million in 2021-22. The fund can be used for: Optimising Ultra-Low Emission Vehicle (ULEV) fleet vehicles and data analysis, linked to the development of a ULEV Infrastructure Fleet and Workplace Strategy. The fund also supports early ULEV installations at operational depots, including heavier fleet charging infrastructure and trials, enablement of district network operators (DNO) to upgrade power supplies, support solar-to-battery power installations where applicable, and programme management and specialist support costs for design and implementation.

Metro Plus Local Transport Fund (£0.330 million)

Local Transport Funding has been awarded to the Council of up to £0.180 million for the Porthcawl Bus Interchange (Pyle Park and Ride Metro) and £0.150 million for the Pencoed Rail Crossing scheme (Penprysg Road Bridge) from the Metro Plus programme for 2021-22.

Bryncethin Depot Facilities (£0.161 million)

Electrical Infrastructure works of £0.246 million are needed for Bryncethin Depot Facilities. A Salix loan of £0.161 million has been secured to fund these works and the balance of the project would be met from the existing £0.370 million capital funding for Bryncethin Depot. The works are focused on the replacement of the existing light fittings (offices ground and first floor) for LED lighting. Some light fittings will also have automatic lighting controls. It is also planned to install a 60kwp solar PV system on the roof of the barn as well as a set of batteries that will provide a significant degree of self-sufficiency from the grid.

- 4.6 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 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 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 3 update to 31 December 2021 (**Appendix A**)
- agrees 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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Background documents: None