

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

8 FEBRUARY 2022

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL PROGRAMME UPDATE

1. Purpose of report

- 1.1 The purpose of this report is to seek agreement from Cabinet to present a report to Council for approval for a revised capital programme for 2021-22 to 2030-31 (**Appendix A**).

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:-

- Chartered Institute of Public Finance and Accountancy's (CIPFA) 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 also approved a capital programme covering the period 2020-21 to 2030-31 as part of the Medium Term Financial Strategy (MTFS), and this has been updated during the year with new schemes, amendments to existing funding packages and changes to delivery profiles. Since the programme was last approved by Council on 19 January 2022 there have been new grant awards, outcomes of tender processes and updates on existing schemes which need including within the capital programme.

3.5 On 22 and 23 February 2022 a capital programme covering the period 2021-22 to 2031-2032 will be presented to Cabinet and Council, respectively, as part of the Medium Term Financial Strategy 2022-23 to 2025-26, alongside the proposed Capital Strategy for 2022-23 to 2031-32.

3.6 It is worth noting that there are a number of financial pressures arising as a result of current market conditions, which have been impacted by the pandemic and Brexit. These are being reflected in many of our capital schemes, both current and future schemes, in particular:

- Increased prices of materials, as a result of higher inflation rates and additional costs associated with Brexit, sometimes up to 25% higher than previously estimated;
- Supply chain difficulties leading to higher prices and delays in schemes being completed;
- Inability to recruit to key posts, both within the Council and companies we contract with, resulting in higher wages and overall contract costs;
- Additional requirements on schemes to achieve Welsh Government's Net Zero commitments, which includes an aim of collectively achieving net zero across the Welsh public sector by 2030. This will lead to changes in the way we design and manage our assets, which will likely result in increased costs.

3.7 Examples of these issues include a recent tender for two pedestrian crossings, to six potential tenderers with an expected cost of £88,000 each. Only one

contractor tendered and the price was nearly 2.5 times the anticipated cost. The scheme did not progress. Similarly, we tendered on Sell to Wales for new play area equipment with an estimated value of £400,000 but did not receive any tenders. This has recently been re-tendered as part of a larger package of works, to try and make it more attractive to the market.

4. Current situation/proposal

- 4.1 The capital programme approved by Council in January 2022 for the period 2021-22 to 2030-31 totalled £212.439 million, of which £118.094 million is to be met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £94.345 million coming from external resources, including General Capital Grant.
- 4.2 As mentioned above, there are a number of new capital schemes that now need including in the capital programme, some of which are wholly or partly grant funded, along with others which need amending.
- 4.3 More detail on each of these schemes is set out below.

Net Zero Carbon Fleet

An additional £320,000 has been added to the programme from in year revenue under spends, to be utilised for the purchase of a pool (up to 10, depending on price) of additional electric powered vehicles which will be available for booking by staff for essential travel, in particular domiciliary care workers, in order to extend recruitment reach, as well as enable the general fleet transition to zero emission vehicles as part of the drive towards Net Zero Carbon 2030. Due to the delay in receiving the vehicles, an earmarked reserve has been established, equivalent to the value of the under spend, to fund the vehicles in the new financial year.

Cardiff Capital Region Metro Plus

The Cardiff Capital Region (CCR) Metro Plus programme was initially agreed in March 2019 where Cardiff Capital Region City Deal, in collaboration with Welsh Government and Transport for Wales, identified a proposed £50 million programme of local transport schemes to support the implementation of the South Wales Metro.

All local authorities within the Cardiff Capital Region were allocated £3 million for transport related projects (£1.5 million from CCR funding and £1.5 million from Welsh Government via the Local Transport Fund). There is an explicit expectation that councils fund anything further on top of this allocation up to the value of £1.5 million.

In Bridgend's case the Pyle Park and Ride was the principal project but Penprysg Road Bridge (feasibility and design) was added as a later Metro Plus project within the same funding envelope. The Porthcawl Metrolink project is a bus focussed facility that came about as a result of the early feasibility work

carried out into the Pyle Park and Ride Scheme and is intended to offer connection to the wider South Wales Metro network. Further work on the Metro Enhancement Framework (MEF) by CCR indicated that the Porthcawl to Bridgend to Cardiff transport corridor is of significant importance to the region and beyond.

The Porthcawl Metrolink facility originally started as a simple open structure concept costing circa £400,000 and featuring a canopy open on three sides supporting a four bay bus station. However, following further discussion and wider consultation with Members it was considered that a fully enclosed building with a green roof and digital integration would be more appropriate in this location as a key regeneration site. This increased the build cost to almost £2 million. There is no opportunity to value engineer the structure as it stands without fundamentally changing its design and there may also be unknown additional costs during the tender and building phase that have not yet been identified, but these will be reported back to Cabinet and Council if and when they arise.

The total current projection for the Metro Plus scheme from the Council is £3.082 million (£367,000 to March 2021 and £2.715 million from April 2021 onwards), taking into account spend to date plus currently anticipated spend in this and the next financial year. Of this, approximately £800,000 relates to Pencoed Level Crossing and Penprysg Road Bridge. It is proposed to fund the shortfall of £82,000 over and above the £3 million external funding from unallocated capital receipts. It is vital that the scheme is progressed and completed on time otherwise there is a risk that any remaining Metro funding will be diverted elsewhere leaving the Council at financial risk.

Ewenny Road Industrial Estate

In May 2021 Cabinet received a report relating to the proposed redevelopment of the former Ewenny Road Industrial Estate, and the proposal to seek Cardiff Capital Region (CCR) funding for necessary infrastructure and remediation works. The funding was to be met from CCR's Housing Viability Gap Fund which was established to unlock key strategic housing sites across South East Wales which would have no other means of coming forward due to financial viability. The funding requested was £3.5 million and this will be used to fund the remediation of the site, the diversion and provision of drainage and services, the provision of access infrastructure and offsite infrastructure improvement works to facilitate the future development of the site for residential and commercial uses.

On 29 November 2021 CCR Cabinet approved a final shortlist of schemes and funding requirements, which included a £3.5 million allocation of grant funding for the former Ewenny Road Industrial Estate. Officers are now in receipt of the draft funding contract from CCR which includes conditions attached to the grant which could require repayment should they not be met, including, for example, failure to commence house building on the site by a prescribed date, failure to meet other targets set out in the agreement. In order to safeguard the Council and minimise financial risk, the future disposal of the site and any obligations passed onto third parties involved in the development of site will be structured

in such a way that protects against any breach of the funding conditions that require repayment should they be breached. No expenditure will be incurred on this site until the final funding agreement is signed.

Porthcawl Regeneration

A report was presented to Cabinet in January 2021 in relation to the marketing of the food store site in Porthcawl, with a recommendation for Cabinet to approve the disposal of the site to Aldi Stores Ltd. The report outlined that in November 2018 Council had resolved to use £2.553 million of the receipt towards infrastructure improvements within the Porthcawl Regeneration project. The actual receipt from the sale of the site is significantly more than was originally envisaged, and given recent increases in tender prices, as outlined in paragraph 3.6 it is recommended that the additional receipt of £957,000 is ringfenced to this programme and included in the capital programme to support the required infrastructure works, including improvements to the Portway, and additional improvements in terms of crossing points and creating pedestrian links with the town centre, resulting in a revised remaining budget for this scheme of £3.488 million.

Brynmenyn Children's Hub

Following a procurement process, the contract for the required works at Brynmenyn was awarded in April 2021, but in July 2021 the Council terminated that contract due to provider insolvency. This meant that an alternative contractor was needed to carry out the works, which required another tender exercise.

As a result of this extra work and time delay, project costs have subsequently increased due to the extra fees associated with the work needed for the retender and also tendered rates submitted being higher than the amount originally approved by Council, reflecting current market conditions. The shortfall of £438,000 will be funded from unallocated capital funding in the capital programme.

BCBC will submit an application to fund as much of the £438,000 as is possible from Welsh Government Regional Integrated Fund Capital Funding in 2022-23. However, capital funding arrangements from April 2022 are yet to be finalised so there is no guarantee of any funding at this time. If alternative funding is approved at a later date any new grant funding will be used to replace the Council's capital fund contribution.

Community Energy Safety Programme (CESP) / Arbed Phase 1

At the beginning of January 2022 the Welsh Government wrote to the Council following the Council's submission of a business case for a funding contribution from WG towards remedial work on 104 properties in Caerau. The letter confirmed that the Minister for Climate Change had agreed to award funding in principle, not exceeding £2.65 million, over the current and next financial year to carry out the essential remedial work. The remainder of the costs of the work,

totalling in the region of £855,000, dependent on take-up and tender prices, are to be met from the Council. The total funding should cover the costs of remedial works to all eligible householders affected in Caerau, not just those in which the Council had involvement, and will cover cost of works, project management and quality assurance. The award, and therefore implementation of the remedial works, is subject to a final decision by WG, following an assessment of a satisfactory detailed business case, which is due for submission by the end of February 2022, and project proposal. The Council's match funding contribution will be met from an existing earmarked reserve.

ICT Equipment – Schools

An additional £305,000 has been added to ICT equipment purchases for schools in relation to a range of planned ICT purchases in 2021-22. These will be funded from an existing earmarked reserve established for the purchase of ICT equipment by schools from their annual ICT SLA contributions.

Welsh Government Un-adopted Roads Pilot

Welsh Government has previously awarded the Council £229,000 of Un-adopted Roads Pilot funding for Ynyslas (Newton Nottage Road), Porthcawl, to be reconstructed and also for it to be adopted as part of the public highway maintainable by the Council. Welsh Government has awarded the Council a further £110,000 to meet additional unforeseen costs to the scheme and to initiate design of further sections of the project.

Héronsbridge Special School Additional Accommodation

Héronsbridge Special School urgently needs to deal with a shortfall in pupil accommodation. An interim measure is required until the proposed new school (which is part of Band B School Modernisation Programme), opens (currently projected to be September 2025). Bridgend College has agreed in principle to the temporary use of surplus areas of the college which, with elements of building works, could be repurposed for use by Heronsbridge learners. It has been proposed to the Headteacher that Heronsbridge Special School make a revenue contribution to the scheme from their projected under spend with the balance to be funded by the local authority for the necessary physical building works costs. The overall scheme cost is anticipated to be £320,000 and it is proposed that this is funded as follows: £140,000 from Heronsbridge Special School balances and £180,000 from the Council's capital budget, to be vired from the School Modernisation Retentions budget. The Headteacher will seek formal Governing Body approval to the school contribution at the governors meeting to be held on 9 March 2022. If approval is not given by the governing body alternative sources of funding will be sought and this will be reported back to Cabinet and Council. Works will not commence until all approvals, funding and leases are in place.

- 4.4 There are also a small number of other amendments and changes to grant approvals which are reflected in the updated capital programme.

4.5 A revised Capital Programme, incorporating the schemes outlined above, is included as **Appendix A**.

5. Effect upon policy framework and procedure rules

5.1 This report complies with paragraph 3.4 of the Financial Procedure Rules within the Council's Constitution in relation to the capital programme.

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. Recommendation

9.1 It is recommended that Cabinet agrees that the revised Capital Programme at **Appendix A** be submitted to Council for approval.

Carys Lord

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