

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

15 JUNE 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 approval from Council for a revised capital programme for 2021-22 to 2031-32 (**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 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 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 2022-23, was approved by Council on 23 February 2022.
- 3.4 On 23 February 2022, Council also approved a capital programme covering the period 2021-22 to 2031-32 as part of the Medium Term Financial Strategy (MTFS). Since then a review has been undertaken of available capital resources, taking into consideration uncommitted funding in the capital programme, the anticipated year end revenue position for 2021-22, the position on earmarked reserves and revenue budgets available for 2022-23.
- 3.5 As a result, a number of new capital schemes have been proposed by Directorates, which have undergone rigorous review and challenge by members of Corporate Management Board, before being submitted for inclusion in the capital programme.
- 3.6 This report is only seeking approval for the inclusion of new schemes within the capital programme that was approved by Council in February 2022. In July 2022 a report will be presented to Cabinet and Council outlining the 2021-22 year end capital position, showing slippage between the 2021-22 and 2022-23 financial years, the updated capital programme for 2022-23 onwards and the outturn position on the Prudential and Other Indicators.

4. Current situation/proposal

- 4.1 The capital programme approved by Council in February 2022 for the period 2021-22 to 2031-32 totalled £230.174 million, of which £123.542 million is to be met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £106.632 million coming from external resources, including General Capital Grant.
- 4.2 As mentioned above, a number of proposals for new capital schemes have been received, and these have been considered and prioritised by Cabinet and Corporate Management Board, in line with the Council's Capital Strategy. Funding for these schemes has been set aside through new earmarked reserves, established during the 2021-22 year end process, from unallocated general capital funding received at the end of 2021-22 and through the 2022-23 Local Government Settlement and from revenue contributions.

- 4.3 The total cost of the new schemes is £9,755,209 and this is broken down in Table 1, with Table 2 showing the breakdown of funding for the proposed schemes:

Table 1: Proposed new capital schemes

Directorate	Description	2022-23 £	2023-24 £	2024-25 £	Total £
Education	Pencoed Primary School	52,500	450,000	397,500	900,000
Education	Coety Primary School	43,750	500,000	1,106,250	1,650,000
Education	Bryntirion Comprehensive School	650,000	1,102,500	47,500	1,800,000
Social Services	Telecare Transformation Project	483,142	526,895	395,172	1,405,209
Communities	CCR Metro Plus Scheme – Penprysg Road Bridge	250,000	250,000		500,000
Communities	Community Asset Transfer	500,000			500,000
Communities	Children's Playground Refurbishment	500,000			500,000
Communities	Cosy Corner	500,000			500,000
Communities	Highways Carriageway & Footway Refurbishment	1,500,000			1,500,000
Communities	Unadopted Roads	500,000			500,000
TOTAL		4,979,392	2,829,395	1,946,422	9,755,209

Table 2: Funding of new capital schemes

Funding Source	2022-23 £	2023-24 £	2024-25 £	Total £
Unallocated General Capital Grant	3,000,000			3,000,000
Capital Earmarked Reserves	1,024,796	1,783,787	1,694,325	4,502,908
Directorate Earmarked Reserves	248,069	148,069	148,069	544,207
Revenue Contributions	206,527	56,527	56,528	319,582
Section 106 Funding	500,000	841,012	47,500	1,388,512
TOTAL	4,979,392	2,829,395	1,946,422	9,755,209

- 4.4 More detail on each of these schemes is set out below.

Pencoed Primary School (£900,000)

Pencoed Primary School, which was built as part of Band A of the local authority's School Modernisation Programme, has proven to be extremely popular since opening. As a consequence, the school is now significantly oversubscribed and there is a need to create additional pupil places in order to address demand (even though the school was sized to the maximum that Welsh Government funding regulations would allow at the time it was built).

A two-classroom extension has been identified as being required. The Major Projects Team has calculated that the total project cost is £900,000. Approval is sought to utilise BCBC capital resources to fund the extension and to include

the scheme in the capital programme. Any subsequent Section (s) 106 funding identified for this scheme will be used to offset the cost to BCBC as the project progresses.

Coety Primary School (£1,650,000)

Coety Primary School was constructed during Band A of the School Modernisation Programme. The adopted Supplementary Planning Guidance (SPG) 16, applicable at that time, was used to calculate the size of provision required. However, a review of the pupil yield rates from new housing developments demonstrated a significant demographic change in population for new developments. The SPG16 has since been updated to reflect the revised rates.

More housing has also been built at Parc Derwen, which was not planned as part of the original section s106 for the development. The local authority has entered into a separate s106 agreement in respect of this addition and is awaiting payment from the developer.

There continues to be significant demand for places at Coety Primary School and the need for four additional teaching spaces to be provided has been identified. The Major Projects Team has calculated that the total project cost for a four-classroom extension is £1.65 million.

Approval is sought to utilise BCBC capital resources to fund the extension. Once the s106 contribution has been received (circa £300,000 total), this funding will displace some of the BCBC funding.

Bryntirion Comprehensive School (1,800,000)

Planned housing developments are under construction within Bryntirion Comprehensive School's catchment area. The school is at capacity and additional places are required to accommodate the pupil yield from these developments. A feasibility study has demonstrated the need for a six-classroom block in order to meet this increasing demand. The total project cost is estimated at £1.8 million.

The local authority has entered into a number of s106 agreements with developers to secure funding contributions. Table 3 sets out payments received to-date plus anticipated future payments.

Table 3: Section 106 Funding

Development	Developer	Received	Remaining
Land at Heol Ty Maen, Cefn Glas	Barratt Homes	£713,116	
Land at former OCLP Club, Bryntirion	Hafod Housing	£18,616	
Former Sunnyside site	Linc	-	£115,669
Former Ysgol Bryn Castell site (Phase 2)	Persimmon	-	£541,111
TOTAL		£731,732	£656,780

In addition, the school has confirmed a financial contribution of £150,000 from the school's delegated budget. Therefore, £261,488 of capital funding is required to meet the projected shortfall to deliver the scheme.

Council will need to be aware that there is a risk in the outstanding s106 contributions not being received. However, this risk is considered to be relatively low. Conversely, there is also a risk of not being able to deliver pupil places to fulfil the local authority's statutory duty should a scheme not be progressed.

Telecare Transformation Project (£1,405,209)

In 2017 BT announced plans to switch off their analogue telephone network (PSTN) by 2025 and replace it with an 'all-IP' digital solution. From as early as 2023, people may no longer be able to purchase an analogue telephone connection. From the time of switchover from analogue to digital, emergency Telecare alarm calls will no longer be received in the traditional analogue method but instead will rely on a digital network. Therefore for any telecare equipment relying on the old analogue lines to connect to the digital lines within the Call Monitoring Centre, the emergency call could fail to connect, become corrupted or get lost entirely. Therefore analogue telecare equipment cannot be relied upon to operate safely and reliably over a digital network.

Telecare is a successful preventative service, one that supports the objectives of the integrated community services of extending an individual's stay at home and supporting earlier hospital discharge. It also has an important role in supporting carers and sustaining their important role. There is a requirement, eventually, to replace current analogue telecare equipment to digital on a like for like basis, as the equipment that has been provided has been prescribed from an individual assessment. The service would recommend a gradual switch over to digital equipment, initially, i.e. for new referrals and replacement of kit that is expiring. This would be followed by a more structured plan of wider scale replacement closer to the local switchover date.

The financial cost of the transition is estimated to be in the region of £1.405 million capital, with some additional revenue costs e.g. purchase of SIM cards. The costs will be met from a combination of earmarked reserves established from displaced grant funding in 2021-22 (£544,000), revenue savings arising in the early years of the project as all equipment is replaced new with digital and therefore fewer replacements for wear and tear are required (£170,000), and Council capital (£691,000).

Cardiff Capital Region Metro Plus – Penprysg Road Bridge (£500,000)

The project relates to the design of a replacement substandard road bridge at Penprysg Road, Pencoed, the removal of the current pedestrian overbridge at Pencoed Station and its replacement with an active travel bridge. The project will see the closure of the existing level crossing on the mainline railway in the town. Currently the total commitment to the Metro Plus scheme from the Council

is £3.082 million. The project requires additional funding for continuing the design of Penprysg Bridge with Network Rail and to undertake additional engineering solutions as a result of the public consultation. This is imperative to get to a RIBA design position to apply for the Levelling Up (LUF) Grant Fund in June 2022.

Community Asset Transfer (£500,000)

The Community Asset Transfer (CAT) programme facilitates a change in management of land, buildings and/or services from BCBC to community groups, such as town and community councils and sports clubs in order to ensure longer term viability of such facilities.

The Council established a £1 million Sports Pavilion Fund in February 2014 to encourage sports clubs to self-manage pavilions. The fund was intended to allow investment to improve the condition of such assets as part of an agreement to lease and take over the responsibility for the maintenance and repair of facilities and the payment of running costs - in line with their needs and expectations. The scope for this fund was later expanded to include all facilities suitable for community asset transfer e.g. community centres, pitches, and agreement was also given by Cabinet that the fund would be replenished as and when necessary. To date £603,461 has been expended from the CAT Fund, leaving a balance of £396,539 and therefore a further £500,000 is now sought to reflect the increased pace of the CAT Programme to achieve financial savings required under the MTFS.

Children's Playground Refurbishment (£500,000)

The local authority has over 100 equipped children's play areas across the county borough. An assessment has been carried out which identifies that equipment is in need of renewal at a number of these authority-run play areas. Additional funding of £460,000 was approved by Council in June 2021 to address the works in around 30 play areas, but this additional funding will enable more play areas to be either fully or partially upgraded in play equipment and surfacing to provide safe opportunities for outdoor play.

Cosy Corner (£500,000)

The Cosy Corner Porthcawl Resort Investment Focus (PRIF) project aims to re-develop the Cosy Corner site into a modern visitor and retail attraction and support enhancements to the public realm of the area. In December 2020 the following were proposed to, and agreed by, Cabinet as a set of guiding principles for the way forward for the development of Cosy Corner, based on information available at the time:

- Desire to ensure funding allocated for Cosy Corner is retained for Cosy Corner. There is potentially funding still available through the Tourism Attraction Destination (TAD) programme for Cosy Corner
- Adopting a partnership approach with key stakeholders

- Taking action in a suitable timeframe
- Minimising the period of time that Cosy Corner remains in its current condition
- Minimising the on-going maintenance requirements and costs for BCBC
- Enhancing the tourism offer of Porthcawl

The current capital budget for the scheme is £2.115 million, but an additional £500,000 is required in recognition of current price volatility, and to enable the full scope of works to be provided in respect of additional public realm, landscaping and children's play.

Highways Carriageway & Footway Refurbishment (£1,500,000)

In the Medium Term Financial Strategy 2022-23 to 2025-26, which was approved by Council in February 2022, a budget of £2 million was included within the capital programme to enable the Council to continue to invest in, and proactively maintain, its highways network. This will now be supplemented by an additional £1.5 million, to enable the Council to manage the decline in the local carriageway and footway asset, and reduce subsequent needs to undertake ad hoc repairs.

Unadopted Roads (£500,000)

A private or unadopted road is a highway that is not maintainable at the public expense. Within the County Borough there are a large number of unadopted roads, which are in poor condition. In a recent Welsh Government pilot the Council was awarded funding to undertake work, including repairing drainage and reconstructing highways, to bring the condition of one road up to a standard that would enable the Council to take over the maintenance responsibility. This will then allow this road to receive regular maintenance and the benefits of being part of the main road network. This capital budget will allow additional streets to be brought up to an adoptable standard and then maintained going forward by BCBC.

- 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 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 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 Council approves the revised Capital Programme for 2021-22 to 2031-32 (**Appendix A**).

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Background documents: None