

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

18 OCTOBER 2022

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL PROGRAMME UPDATE - QUARTER 2 - 2022-23

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 programme position for 2022-23 as at 30 September 2022 (**Appendix A**)
- seek agreement from Cabinet to present a report to Council for approval for a revised capital programme for 2022-23 to 2031-32 (**Appendix B**)
- note the projected Prudential and Other Indicators for 2022-23 (**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 for 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 on capital finance and accounting controls, including 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 approved a capital budget of £69.979 million for 2022-23 as part of a capital programme covering the period 2022-23 to 2031-32. The programme was last updated and approved by Council on 20 July 2022. This report provides an update on the following:

- Capital Programme monitoring quarter 2 2022-23
- A revised Capital Programme for 2022-23 to 2031-32
- Capital Strategy monitoring
- Prudential and other indicators

4. Current situation/proposal

Capital Programme 2022-23 Quarter 2 update

4.1 This section of the report provides Members with an update on the Council's capital programme for 2022-23 since it was last approved by Council and incorporates any new schemes and grant approvals. The revised programme for 2022-23 currently totals £89.539 million, of which £54.043 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £35.496 million coming from external resources, including Welsh Government General Capital Grant. Table 1 below shows the change in the capital

programme for each Directorate from the July 2022 (Quarter 1) approved Council position to Quarter 2:

Table 1 – Capital Programme per Directorate 2022-23

Directorate	Approved Council July 2022 £'000	New Approvals / (Reductions) £'000	Virements £'000	Slippage to future years £'000	Revised Budget 2022- 23 £'000
Education & Family Support	17,754	2,851	109	(1,944)	18,770
Social Services and Well-being	3,909	0	30	0	3,939
Communities	69,893	(4,239)	(139)	(4,783)	60,732
Chief Executive's	5,529	0	0	(480)	5,049
Council Wide	1,049	0	0	0	1,049
Total	98,134	(1,388)	0	(7,207)	89,539

- 4.2 Table 2 below summarises the current funding assumptions for the capital programme for 2022-23. 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 2022-23 Funding

Capital Resources	£'000
<i>BCBC Resources:</i>	
Capital Receipts	19,518
Earmarked Reserves	17,658
Unsupported Borrowing	6,924
Supported Borrowing	3,953
Other Loans	4,306
Revenue Contribution	1,684
Total BCBC Resources	54,043
<i>External Resources:</i>	
Grants	35,496
Total External Resources	35,496
TOTAL RESOURCES	89,539

- 4.3 **Appendix A** provides details of the individual schemes within the capital programme, showing the projected spend at 30 September 2022 against the budget available.
- 4.4 A number of schemes have already been identified as requiring slippage of budget to future years (2023-24 and beyond). At quarter 2 the total requested slippage is £7.207 million, which comprises the following schemes:

Arbed Phase 1 CESP (£3.405 million)

The start of the project is later than anticipated due to delays in receiving funding confirmation from Welsh Government. The projected expenditure in 2022-23 of £0.100 million will be limited to preparatory work, including procurement of the main contractor and survey work. Therefore, £3.405 million is being slipped for use in 2023-24.

Universal Free School Meals (£1.944 million)

In 2021-22 the Council received £1.162 million from Welsh Government for the provision of universal primary free school meals. Welsh Government has awarded the Council with an additional £1.628 million capital funding grant in 2022-23 to support the roll out of universal primary free school meals resulting in a total allocation of £2.790 million. Works have been delayed due to procurement issues. A contractor has now been appointed and it is anticipated works will begin in October Half Term 2022. Projected costs for the works during 2022-23 are £0.846 million, therefore £1.944 million is being slipped for use in 2023-24.

Bridgend Town Heat Network Scheme (£0.850 million)

The procurement of the main contractor has been completed, and a project programme has been produced. The construction phase of the project is expected to extend into Quarter 1 2023-24. Based on the project programme, £0.850 million is being slipped for use in 2023-24.

Parks/Pavilions/Community Centres CAT (£0.528 million)

The Community Asset Transfer (CAT) fund provides capital funding to assist community groups to improve assets post-transfer as and when self-management agreements are finalised. The timings of asset transfers are difficult to predict due to issues such as land registration which can delay completions, therefore £0.528 million is being slipped for use in 2023-24.

Health and Wellbeing Village (£0.480 million)

Following the insolvency of the previous main contractor, the Sunnyside Health and Wellbeing village development is now at the procurement stage. An open tender procedure took place earlier this year but was unsuccessful. Procurement advice indicates that Linc are at liberty to commence direct negotiations with an alternative contractor, and this process will now begin subject to endorsement of the formal procurement report. A completion contractor is therefore likely to be appointed towards the end of 2022 with re-mobilisation on site from January 2023. A contract period has yet to be agreed but it is anticipated that there will be a handover of dwellings mid-2024.

Capital Programme 2022-23 Onwards

- 4.5 Since the last capital report approved by Council in July 2022, there have been a number of new externally funded schemes approved and internally funded schemes which have been incorporated into the capital programme, including:

Universal Free School Meals (£1.628 million)

As mentioned above Welsh Government has awarded the Council an additional £1.628 million to support the roll out of universal primary free school meals. The funding has been provided to purchase/upgrade catering equipment as well as upgrading the existing kitchen and dining facilities. This funding is in addition to the £1.162 million received from Welsh Government in 2021-22, which had already been slipped for use in 2022-23.

Additional Learning Needs (ALN) Capital Grant (£0.930 million)

Welsh Government has awarded the Council £0.930 million to optimise pre-16 learning environments for those with additional learning needs and increase accessibility to promote inclusive practice, support learning and pupil wellbeing. The funding can be used for eligible expenditure to support learners with ALN in both mainstream and special schools.

Coychurch Crematorium (£0.720 million)

An initial budget estimate of £0.550 million for the Flower Court facilities extension was approved by the Coychurch Crematorium Joint Committee at their meeting on 14 June 2019. This was re-approved at the meeting of the Joint Committee on 4 March 2022 and added to the capital programme for 2022-23. The deadline for tender submissions was 17 June 2022, with only one tender submission being received in the sum of £1.270 million. Despite the significant increase in the projected cost of the project, the Joint Committee approved the award of tender at their meeting on 15 July 2022, with the additional budget for the completion of the project being funded from their accumulated surplus.

Maesteg Town Hall (£0.395 million)

The Maesteg Town Hall re-development project has been progressing, albeit with some delays due to current market conditions relating to material supplies and availability of sub-contractors. Since the last Capital programme update, the Council has been successful in securing an additional £395,000 from Welsh Government's Building for the Future programme which could be utilised on essential works that have been identified as part of the construction contract and are currently being reviewed by the project team.

YGG Bro Oqwr Mobile Classroom (£0.270 million)

On 11 March 2021, Welsh Government announced the availability of an additional £30 million Welsh-medium Capital Grant, established in 2018, to support capital projects dedicated to supporting and growing the use of the Welsh language in education. This is on top of the existing allocation announced for Band B of the 21st Century Schools and Colleges Programme. In September 2021, Cabinet gave approval for an expression of interest to be

submitted to Welsh Government in respect of the Welsh-medium Capital Grant. On 15 August 2022, Welsh Government confirmed award of grant funding of £0.270 million in respect of mobile classroom provision at Ysgol Gymraeg Bro Ogwr.

Cwm Taf Nature Network (£0.230 million)

The Cwm Taf Nature Network aims to form a collaboration of organisations in the Cwm Taf Health Board region to manage green infrastructure for the benefit of people, businesses, and communities. The project will be a new way of working that moves our green space management away from being managed for their designations (Special Area of Conservation (SAC), Site of Special Scientific Interest (SSSI), and Nature Reserve) to being managed as a nature-based solution for improving the health and wellbeing of local residents. The collaboration will manage 20 green spaces across the Cwm Taf Region in line with the Well-being Plans. The scheme will be funded by Welsh Government's Rural Development Programme.

Relocation of Depot Facilities (£0.171 million)

£0.171 million has been added to the programme, funded by an earmarked reserve, in relation to works on Bryncethin Depot roof which are of a capital rather than revenue nature.

Urban Centre Property Enhancement (£0.103 million)

The Council has been awarded £0.103 million from Welsh Government's Transforming Towns 2022 programme to support the leaseholder in refurbishing a long-standing vacant unit within the Rhiw Shopping Centre. The project will focus on delivering a set of physical, commercial, and social improvements. On project completion it is envisaged that the building will be brought back into beneficial use as a hospitality venue, which in turn will increase town centre footfall and vibrancy.

Minor Works (£0.029 million)

An additional £0.029 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 programme. These will be funded from the existing revenue minor works budget.

School Maintenance Grant (£0.023 million)

The budget has been increased by £0.023 million to reflect a revenue contribution received towards the total cost of works.

Fire Precautions and DDA Minor Works (£0.017 million)

The Fire Precautions (£0.015 million) and Disability Discrimination Act (DDA) (£0.002 million) minor works budgets have been increased to reflect revenue contributions received towards the total cost of works.

In addition to the above schemes, the following scheme has been removed from the capital programme and is shown as a negative approval:

Caerau Heat Scheme (£5.904 million)

The capital element of the scheme is no longer progressing following the completion of feasibility work, which showed it was not deliverable within the external funding timescale and budget.

- 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 2022-23 Monitoring

- 4.8 In February 2022, Council approved the Capital Strategy for 2022-23, which included the Prudential Indicators 2022-23 to 2024-25 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 2021-22, the estimated indicators for 2022-23 set out in the Council's Capital Strategy and the projected indicators for 2022-23 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 £5.585 million at 31 March 2022.
- 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 £13.902 million at 31 March 2022. This is a 25-year agreement which will end during the 2033-34

financial year. Other long-term liabilities totalling £0.227 million include lease arrangements for the Innovation Centre and the Council's Waste Contract.

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 and Council with 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 2022-23 Quarter 2 update to 30 September 2022 (**Appendix A**)
 - agree that the revised Capital Programme (**Appendix B**) be submitted to Council for approval
 - notes the projected Prudential and Other Indicators for 2022-23 (**Appendix C**)

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Background documents: None