

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

18 JANUARY 2023

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL PROGRAMME UPDATE - QUARTER 3 REPORT 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 (2021 edition)'
- provide an update of the capital position for 2022-23 as at 31 December 2022 (**Appendix A**)
- seek approval the 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 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 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 19 October 2022. This report provides an update on the following:
- Capital Programme monitoring Quarter 3 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 3 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 £61.732 million, of which £28.242 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts and revenue contributions from earmarked reserves, with the remaining £33.490 million coming from external resources, including Welsh Government General Capital Grant. Table 1 below shows the Capital Programme for each Directorate from the October 2022 (Quarter 2) approved Council position to Quarter 3:

Table 1 – Capital Programme per Directorate 2022-23

Directorate	Approved Council October 2022 £'000	New Approvals/ (Reductions) £'000	Virements £'000	Slippage to future years £'000	Revised Budget 2022-23 £'000
Education & Family Support	18,770	0	370	(7,115)	12,025
Social Services and Well-being	3,939	707	(274)	(263)	4,109
Communities	60,732	(886)	0	(20,984)	38,862
Chief Executive's	5,049	914	0	(180)	5,783
Council Wide	1,049	0	(96)	0	953
Total	89,539	735	0	(28,542)	61,732

- 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 Resources

CAPITAL RESOURCES	£'000
<i>BCBC Resources:</i>	
Capital Receipts	5,551
Earmarked Reserves	10,209
Unsupported Borrowing *	2,806
Supported Borrowing	3,953
Other Loans **	4,223
Revenue Contribution	1,500
Total BCBC Resources	28,242
<i>External Resources:</i>	
Grants	33,490
Total External Resources	33,490
TOTAL RESOURCES	61,732

* Prudential borrowing – repayments are funded from BCBC’s own resources e.g. revenue budgets.

** For example, Salix energy loans, Local Government Borrowing Initiative (LGBI) for highways and coastal defence

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 2022-23.

4.4 A number of schemes have already been identified as requiring slippage of budget to future years (2023-24 and beyond). At quarter 3 the total requested slippage is £28.542 million, which comprises the following schemes:

Waterton Upgrade (£8.144 million)

The scheme has not progressed on the Waterton site as anticipated. Following changes to the Welsh Flood Risk Assessment Maps by Natural Resources Wales which resulted in the proposed disposal of land at Waterton for residential development no longer being viable, the way forward with the much needed improved highways depot is currently under review. There is no capital spend anticipated in the current financial year, therefore £8.144 million has been slipped to 2023-24.

Porthcawl Regeneration (£3.492 million)

Development work is still ongoing across the regeneration site, including further consultation and work on the infrastructure plan for Salt Lake. It is anticipated that enabling works in relation to the scheme will commence in 2023-24, therefore £3.492 million is being slipped for future use.

Highways Schemes Band B Schools (£3.300 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 £3.300 million is being slipped for use in 2023-24.

City Deal (£3.006 million)

Local Authority contributions to the City Deal have been reprofiled. BCBC’s contribution to the City Deal has been realigned to 2023-24 to 2025-26, with a small contribution forecast for the current year. There has been no change to the total amount of BCBC’s contribution.

Bridgend Heat Scheme (£2.000 million)

Negotiations with the preferred Design, Build, Operate, Maintain (DBOM) contactor have taken longer than anticipated meaning a delay in signing the contract with them and construction work starting. Given requirements, such as having to undertake in-road works to lay the pipework during school holidays to minimise disruption, the construction programme has moved to be mostly during the 2023-24 financial year. The project is still on track to be fully commissioned Winter 2023.

Sustainable Communities for Learning (£1.924 million)

Design development work is ongoing in respect of the primary school schemes, and the Authority is in the process of appointing a multi-disciplinary design team for the replacement Heronsbridge School. Design development will continue, and therefore £1.924 million is being slipped for use in 2023-24, as agreed with Welsh Government.

Maesteg Town Hall Cultural Hub (£1.500 million)

The re-development of Maesteg Town Hall is progressing well, with key milestones such as the full restoration of the iconic clock tower and roof replacement completed. However, the recent discovery of extensive defective plaster along with dry rot has resulted in an unavoidable delay to project completion. Therefore, £1.500 million is being slipped for use in 2023-24, with the project now due to be completed in Summer 2023.

Fleet Vehicles (£0.700 million)

There is a desire to replace existing fleet vehicles with electric vehicles to support the route to decarbonisation. However, as the required charging points are not in place yet, this has not been possible. Therefore £0.700 million is being slipped for use in 2023-24.

Welsh Medium Childcare Provision – Bridgend (£0.550 million)

Cabinet has recently determined to co-locate the Bridgend Welsh-medium childcare provision with the replacement Ysgol Gymraeg Bro Ogwr (a Band B project). The scheme is currently in design and Welsh Government have confirmed that the £0.550 million grant funding can be slipped to fund the scheme in 2023-24.

Welsh Medium Childcare Provision – Porthcawl (£0.550 million)

Cabinet has recently determined to co-locate the Porthcawl Welsh-medium childcare provision with the proposed Porthcawl Welsh-medium seedling school. Consultation regarding the school proposal will commence in early 2023 and subject to the outcome of that process, design development would commence on the school and childcare provision. Welsh Government have confirmed that the £0.550 million grant funding can be slipped to fund the scheme in 2023-24.

Bryntirion Comprehensive Classrooms (£0.500 million)

Design development has progressed on the six-classroom block planned for Bryntirion Comprehensive School, and the planning application has recently been submitted to the Local Planning Authority for consideration. Planning consent is expected to be granted at the end of 2022-23, therefore £0.500 million is being slipped to 2023-24 to fund the construction phase of the project.

The balance of £2.879 million is made up of various other schemes with individual slippages under £0.500 million.

Capital Programme 2022-23 Onwards

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

Urban Centre Property Enhancement (£1.263 million)

The Council has been awarded £1.263 million from Welsh Government's Transforming Towns Placemaking Grant programme to address the decline in town centres and the reduced demand for high street retail. The focus of the Programme is sustainable growth of our towns and cities, and their transformation into places of living, working, learning and leisure. This award is in addition to the £0.103 million award that was added to the Capital Programme in October 2022 and covers the period 17 June 2022 to 31 March 2025.

Affordable Housing (£0.844 million)

Supplementary Planning Guidance (SPG) was adopted by Council in October 2015 to outline policy and expectations on the delivery of affordable housing as part of new residential developments within the County. In cases where on-site provision is not considered appropriate and units cannot be delivered off-site, the Council can agree a commuted sum. Developments have been agreed under this process of commutation at Coety Primary school and former Ogmere Comprehensive, and S106 contributions totalling £0.844 million have been received by the Council. This funding will be utilised to support the provision of affordable housing schemes to meet the needs of homeless individuals and families, and to progress partnership arrangements with Registered Social Landlords and third sector partners.

Children's Residential Hub (£0.608 million)

The Council have been awarded an additional £0.608 million from Welsh Government's Housing with Care Fund for the Children's Residential Hub. This will enable net zero carbon and landscaping works to be completed, which were not included in the original scheme. In February 2022 the scheme received additional BCBC funding, with the understanding that if any future external funding was secured it would replace that funding. Now additional Welsh Government funding has been secured, £0.274 million has been vired back to the unallocated capital fund.

Cardiff Capital Region Metro Plus – Porthcawl Bus Station (£0.404 million)

The Porthcawl Bus Station project, which was initially added to the capital programme in February 2002 has been awarded an additional £0.404 million from the Local Transport Fund, increasing the overall budget for the scheme to £2.304 million.

Porthcawl Welsh Medium Seedling School (£0.370 million)

The Council have approved a capital budget of £0.370 million for the proposed Porthcawl Welsh-medium Seedling School scheme's design and survey costs up to tender stage. The scheme will be funded by a virement from the

unallocated capital budget initially, on the assumption that costs will be recovered once Welsh Government has approved the re-submitted business justification case.

Ultra-Low Emission Vehicle Transformation (£0.300 million)

The Council has been awarded £0.300 million funding from the Welsh Government's ULEV Transformation Fund to support the delivery of electric vehicle charging infrastructure within the Council's public car parks. Additional chargers will be installed in each of the Council's leisure facilities car parks, increasing accessibility to both leisure users and residents and encouraging electric vehicle use.

Access Improvement Grant (£0.187 million)

The Council has been awarded £0.187 million from Welsh Government's Access Improvement grant to support improving access to and on the Public Rights of Way network, open access land and green/blue space in Wales. The funding relates to the period 1 April 2022 to 31 March 2025 and will be used to improve existing routes as well as increasing access for under-represented groups to the outdoors.

Ysgol Bryn Castell Hard-Court (£0.099 million)

The Council has been awarded £0.099 million from Sport Wales to improve the hard-court area at Ysgol Bryn Castell for both school and community use. The funding will support surface improvement for activities, court markings, fencing and additional lighting.

Puffin Crossing at Heathbridge, Kenfig Hill (£0.093 million)

£0.093 million has been added to the Capital Programme in relation to the installation of a puffin crossing on the B4281 Pysgah Street, Kenfig Hill. The scheme will be funded 50% from a virement from the Capital Asset Management Fund, and 50% from a contribution by Pyle Community Council.

HWB Schools ICT (£0.070 million)

An additional £0.070 million has been added to ICT equipment purchases for schools in relation to a range of planned ICT purchases in 2022-23. These will be funded from an existing earmarked reserve established for the purchase of ICT equipment by schools from their annual ICT SLA contributions.

In addition to the above schemes, the following schemes have been removed from the Capital Programme and are shown as a negative approval:

Enterprise Hubs (£1.757 million)

The scheme has been developed up to the detailed design and planning stage, but is unable to progress fully within the funding time parameters due to:

- Covid delays which impacted on the timeframe for delivery
- The Welsh European Funding Office (WEFO) end date for the scheme could not be extended. Therefore the grant award was no longer eligible.
- Part of the funding was prudential borrowing therefore as rates rose sharply this tightened the viability of the scheme
- Tender costs were returned in the region of 250% over budget

- An approach was considered that would have installed services but the utility providers were unable to guarantee delivery within the project timeframe.

Whilst the scheme could still progress, this will be subject to securing alternative funding. Until such time as further funding can be secured the scheme has been removed from the Capital Programme.

Llynfi Valley Development Loan (£0.083 million)

Welsh Government has agreed that a further £0.083 million of the Llynfi Valley Development Loan can be used for feasibility works and is therefore not repayable. The value of the outstanding loan available for remediation works now totals £2.177m.

- 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 presented 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 Council:

- notes the Council's Capital Programme 2022-23 Quarter 3 update to 31 December 2022 (**Appendix A**)
- approves the revised Capital Programme (**Appendix B**)
- notes the projected Prudential and Other Indicators for 2022-23 (**Appendix C**)

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January 2023

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Background documents: None