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| Meeting of: | CABINET |
| Date of Meeting: | 18 JULY 2023 |
| Report Title: | CAPITAL PROGRAMME UPDATE QUARTER 1 2023-24 |
| Report Owner / Corporate Director: | CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE |
| Responsible Officer: | HUW POWELL CAPITAL ACCOUNTANT |
| Policy Framework and Procedure Rules: | Paragraph 3.5.3 of the Financial Procedure Rules requires that the Chief Finance Officer shall report quarterly to Cabinet and Council with an update on the Capital Strategy and the Prudential Indicators. This report fulfils that requirement. There is no impact on the policy framework or procedure rules. |
| Executive Summary: | <ul style="list-style-type: none"> • The report provides an update of the capital budgets and expenditure as at 30 June 2023, the revised capital programme for 2023-24 to 2032-33 and the projected Prudential and Other Indicators for 2023-24. • Appendix A shows the budgets and spend to 30 June 2023 for the individual schemes in 2023-24. • Appendix B provides details of the revised capital programme for 2023-24 to 2032-33. • Appendix C provides details of the projected Prudential and Other Indicators for 2023-24. |

1. Purpose of Report

1.1 The purpose of this report is to:

- Comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 'The Prudential Code for Capital Finance in Local Authorities' (2021 edition) requirement to report performance against all forward looking indicators on a quarterly basis.
- provide an update of the capital programme position for 2023-24 as at 30 June 2023 **(Appendix A)**
- seek agreement from Cabinet to present a report to Council for approval of a revised capital programme for 2023-24 to 2032-33 **(Appendix B)**
- note the projected Prudential and Other Indicators for 2023-24 **(Appendix C)**

2. Background

- 2.1 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.
- 2.2 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
- 2.3 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 2023-24, incorporating the Prudential Indicators for 2023-24, was approved by Council on 1 March 2023.
- 2.4 On 1 March 2023 Council approved a capital budget of £69.045 million for 2023-24 as part of a capital programme covering the period 2023-24 to 2032-33.

3. Current situation / proposal

3.1 Capital Programme Quarter 1 Update 2023-24

- 3.1.1 This section of the report provides Members with an update on the Council's capital programme for 2023-24 since the budget was last approved by Council and incorporates any new schemes and grant approvals. The revised programme for 2023-24 currently totals £96.889 million, of which £60.553 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts, revenue contributions from earmarked reserves and borrowing, with the remaining £36.336 million coming from external resources, including General Capital Grant. Table 1 below shows the capital programme for each Directorate from the March 2023 approved Council position to Quarter 1:

Table 1 – Capital Programme per Directorate 2023-24

| Directorate | Approved Council March 2023 £'000 | Slippage Brought forward from 2022-23 £'000 | New Approvals £'000 | Virements £'000 | Slippage to future years £'000 | Revised Budget 2023-24 £'000 |
|--------------------------------|-----------------------------------------|------------------------------------------------|------------------------|--------------------|-----------------------------------|---------------------------------|
| Education & Family Support | 26,917 | 3,417 | 2,603 | - | - | 32,937 |
| Social Services and Well-being | 6,701 | 1,150 | - | - | (4,472) | 3,379 |
| Communities | 30,308 | 19,984 | 1,752 | 460 | - | 52,504 |
| Chief Executive's | 4,640 | 2,457 | 100 | - | - | 7,197 |
| Council Wide | 479 | 853 | - | (460) | - | 872 |
| Total | 69,045 | 27,861 | 4,455 | - | (4,472) | 96,889 |

Table 1 above includes £27.861 million slippage from 2022-23, which was detailed in the capital outturn report 2022-23, presented to Council on 21 June 2023.

- 3.1.2 Table 2 below summarises the current funding assumptions for the capital programme for 2023-24. 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 2023-24 Resources

| CAPITAL RESOURCES | £'000 |
|-----------------------------------|---------------|
| <i>BCBC Resources:</i> | |
| Capital Receipts | 20,032 |
| Earmarked Reserves | 25,925 |
| Unsupported Borrowing | 7,536 |
| Supported Borrowing | 3,951 |
| Other Loans | 2,264 |
| Revenue Contribution | 845 |
| Total BCBC Resources | 60,553 |
| <i>External Resources:</i> | |
| S106 | 2,445 |
| Grants | 33,891 |
| Total External Resources | 36,336 |
| TOTAL RESOURCES | 96,889 |

- 3.1.3 **Appendix A** provides details of the individual schemes within the capital programme, showing the budget available in 2023-24 compared to the projected spend at 30 June 2023. There are currently no projected under or over spends on any of the schemes at year end.
- 3.1.4 However, one scheme has been identified as requiring slippage of budget to future years (2024-25 and beyond).

Porthcawl Grand Pavilion – £19.998 million

The financial profile has changed due to the delay in project initiation as a direct result of the project approval being received later than originally anticipated. Project initiation activities could not commence until receipt of the Memorandum of Understanding from the Department for Levelling Up which took place on 14 April 2023. Spend in the original profile was anticipated to commence in 2022-23, but this has now been moved into the 2023-24 financial year, resulting in £4.472 million being slipped to subsequent years to reflect the delayed project start.

- 3.1.5 There are a number of amendments to the capital programme for 2023-24, such as new and amended schemes, since the capital programme was last approved including:

Bryntirion Comprehensive School classrooms

When the Bryntirion Comprehensive classroom scheme was added to the programme in June 2022, the school were to fund £0.150 million of the £1.800 million budget. Due to considerable budget pressures at the school, they have requested to reduce the contribution to £0.100 million. This reduction has been agreed by the School Modernisation Strategic Board and the £0.050 million shortfall will now be funded by a virement from the School Capital Maintenance Grant, ensuring the scheme's overall budget remains at £1.800 million.

Free Schools Meals - £1.035 million

To support the roll out of the Universal Free School Meals programme, Welsh Government have awarded the Council a grant of £1.035 million to fund the building of an extension to the kitchen at Trelales Primary, as well as the purchase of kitchen pods for Cwmfelin Primary, Newton Primary and Bryntirion Infants schools. This funding is in addition to the £1.628 million award in August 2022.

Community Focused Schools - £2.398 million

Welsh Government has awarded the Council £2.398 million of funding to be used in 2023-24 and 2024-25 on a number of targeted small and medium scale capital schemes to safely adapt and effectively open schools outside traditional hours. Twenty two schemes have been identified and budgets allocated, ranging from £5,000 to £0.400 million per scheme.

Flying Start Childcare - £0.185 million

To support the delivery of Early Years Childcare, Welsh Government have provided £0.185 million to create Flying Start provisions at Ogmere Vale and Pontycymmer,

and the funding will be used to repurpose classrooms within Ogmores Vale Primary and Pontycymmer Nursery.

Parks/Pavilions/Community Centres CAT - £0.328 million

The Council has been successful in securing a grant of £0.328 million from the Lawn Tennis Association to support the renovation of tennis courts at Welfare Park Maesteg; Griffin Park Porthcawl; Caedu Park Ogmores Vale, and High Street Heol-y-Cyw. The total budget for the renovations is £0.519 million, and the match funding will come from the existing CAT capital budget.

20mph Default Speed - £0.924 million

Welsh Government has awarded the Council with £0.924 million of funding to support the implementation of the 20 mph default speed limit on restricted roads, which will come into force on 17 September 2023.

Fleet Vehicles - £1.000 million

The Council's Fleet requires an annual capital rolling programme for the replacement of vehicles and plant that are either age expired or required to deliver new services. The range of vehicles and plant vary depending upon the needs of individual departments, from social care, highway services, waste management or bereavement and green spaces. A capital allocation of £1 million should provide the purchasing approval which will be funded from within clients' existing revenue budgets, through revenue contributions to capital or prudential borrowing. The lead in times for delivery of vehicles is dependent upon availability and build times for specialist body types and can vary up to 18 months, with the specification as best as possible aligning with the Council's carbon reduction agenda. Due to the varying availability and lead times of the vehicles, £0.500 million has been added in 2023-24 and £0.500 million in 2024-25.

Fleet Vehicles - Waste

A report was presented to Cabinet in June 2022 in respect of the recycling and waste service post 2024. Delegated authority was given to the Corporate Director Communities to negotiate and finalise acquisition fees for the existing vehicles, plant and equipment utilised in the provision of the current service with Kier Services Limited. It is anticipated that a budget in the region of £460,000 will be required. This will be funded from unallocated capital in the capital programme and will be budgeted to be spent in 2023-24.

Non-Operational Assets / Community Asset Transfer

Council may be aware that a capital budget of £1 million was established in 2014-15 to enable the Council to take advantage of property investment opportunities, and this was included in the capital programme for non-operational assets. One purchase was made in August 2014 in respect of Waterton Cross, leaving a balance of £480,000.

The original purpose of the fund is no longer in line with The Prudential Code for Capital Finance in Local Authorities, which states that an authority must not borrow

to invest primarily for financial return, and that investing in assets for yield would prevent the Council from accessing borrowing from the Public Works Loans Board (PWLB), so this scheme is unlikely to progress further. However, Council will also be aware of previous reports to Cabinet and Council on the Community Asset Transfer (CAT) scheme, for which there is a current remaining capital budget of £611,000 to undertake further CATs in respect of parks, playgrounds and community centres, amongst other Council assets.

£0.592 million of this has already been committed to schemes. Cabinet has previously indicated that the CAT Fund should be replenished to encourage CATs, subject to the availability of finite capital resources, so that assets can be developed and safeguarded for future generations, particularly where value for money can be clearly demonstrated. Consequently, it is proposed to vire the £480,000 balance from the non-operational assets budget to the CAT budget, to provide further opportunities going forward.

Disabled Facilities Grant - £0.100 million

Cwm Taf Morgannwg have awarded the Council £0.100 million from their Housing with Care Fund, which will be used to fund equipment and adaptations to existing homes which are not supported by other Welsh Government adaptations grants (such as provision of storage space for equipment and mobility vehicles or wheelchairs), including supplementing the cost of Disabled Facilities Grants (DFG) over the £36,000 statutory maximum.

3.1.6 A revised Capital Programme is included as **Appendix B**.

3.2 Prudential and Other Indicators 2023-24 Monitoring

3.2.1 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, and approved, by Council. In line with the requirements of the Prudential Code, the Chief Finance Officer is required to establish procedures to monitor both performance against all forward-looking prudential indicators and the requirement specified.

3.2.2 In March 2023, Council approved the Capital Strategy for 2023-24, which included the Prudential Indicators for 2023-24.

3.2.3 **Appendix C** details the actual indicators for 2022-23, the estimated indicators for 2023-24 set out in the Council's Capital Strategy and the projected indicators for 2023-24 based on the revised Capital Programme. These show that the Council is operating in line with the approved indicators.

4. Equality implications (including Socio-economic Duty and Welsh Language)

4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The Act provides the basis for driving a different kind of public service in Wales, with five ways of working to guide how public services should work to deliver for people. The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. It is considered that there will be no significant or unacceptable impacts upon the achievement of the well-being goals or objectives as a result of this report.

6. Climate Change Implications

6.1 There are no Climate Change implications arising from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no Safeguarding and Corporate Parent implications arising from this report.

8. Financial Implications

8.1 These are reflected within the report.

9. Recommendations

9.1 It is recommended that Cabinet:

- notes the Council's Capital Programme 2023-24 Quarter 1 update to 30 June 2023 **(Appendix A)**
- agrees that the revised Capital Programme **(Appendix B)** be submitted to Council for approval
- notes the projected Prudential and Other Indicators for 2023-24 **(Appendix C)**

Background documents

None