

Meeting of:	COUNCIL
Date of Meeting:	20 NOVEMBER 2024
Report Title:	CAPITAL PROGRAMME QUARTER 2 UPDATE 2024-25
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING 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 on the quarter 2 spend and projected spend for 2024-25 as at 30 September 2024, the revised capital programme for 2024-25 to 2033-34 and the projected Prudential and Other Indicators for 2024-25. • Appendix A shows the budgets, spend to date and projected year end spend as at 30 September 2024 for the individual schemes in 2024-25. • Appendix B shows the revised capital programme for 2024-25 to 2033-34. • Appendix C provides details of the actual Prudential and Other Indicators for 2023-24 and projected 2024-25.

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 to Council on the capital programme position for 2024-25 as at 30 September 2024 (**Appendix A**).
- Ask Council to note the net slippage of £12.643 million into 2025-26 as detailed in **Appendix B**.
- Seek Council's approval for the virements between schemes as detailed in **Appendix B**.
- Seek Council's approval of the new additions /reductions to the capital programme in 2024-25 totalling -£3.831 million as outlined in **Appendix B**.
- Seek Council's approval of the new additions to the capital programme between 2025-26 and 2027-28 totalling £19.520 million as detailed in **Section 3.3**.
- Ask Council to note the projected Prudential and Other Indicators for 2023-24 and actual for 2024-25 (**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 2024-25, incorporating the Prudential Indicators for 2024-25, was approved by Council on 28 February 2024.
- 2.4 On 28 February 2024 Council approved a capital budget of £110.537 million for 2024-25 as part of a capital programme covering the period 2024-25 to 2033-34. The programme was last updated and approved by Council on 24 July 2024, with a revised budget of £82.082 million.

3. Current situation / proposal

3.1 Capital Programme Quarter 2 Update 2024-25

- 3.1.1 This section of the report provides Members with an update on the Council's capital programme for 2024-25 since the budget was last approved by Council and incorporates any new schemes and grant approvals. The revised programme for 2024-25 currently totals £66.058 million, of which £34.698 million is met from Bridgend County Borough Council (BCBC) resources, including capital receipts, revenue contributions from earmarked reserves and borrowing, with the remaining

£31.360 million coming from external resources, including Welsh Government General Capital Grant. Table 1 below shows the capital programme for each Directorate from the July 2024 approved Council position to Quarter 2:

Table 1 – Capital Programme per Directorate 2024-25

Directorate	Approved Council July 2024	New Approvals/ (Reductions)	Virements	Slippage (to)/from future years	Revised Budget 2024-25
	£'000	£'000	£'000	£'000	£'000
Education & Family Support	17,646	1,149	100	-	18,895
Social Services and Wellbeing	839	-	-	-	839
Communities	57,085	(4,343)	(100)	(13,143)	39,499
Chief Executive's	5,517	(187)	-	500	5,830
Council Wide	995	-	-	-	995
Total	82,082	(3,381)	-	(12,643)	66,058

3.1.2 Table 2 below summarises the current funding assumptions for the capital programme for 2024-25. 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 2024-25 Resources

CAPITAL RESOURCES	£'000
BCBC Resources:	
Capital Receipts	13,820
Earmarked Reserves	12,783
Unsupported Borrowing	3,422
Supported Borrowing	3,937
Other Loans	160
Revenue Contribution	576
Total BCBC Resources	34,698
External Resources:	
S106	3,153
Grants	28,207
Total External Resources	31,360
TOTAL RESOURCES	66,058

- 3.1.3 **Appendix A** provides details of the individual schemes within the capital programme, showing the budget available in 2024-25 compared to the projected year end spend at 30 September 2024. There are currently no projected under or over spends on any of the schemes at year end.
- 3.1.4 However, a number of schemes have been identified as requiring slippage of budget to future years (2025-26 and beyond).

Cardiff City Capital Region City Deal (£1.190 million)

As a result of a Cardiff Capital Region (now renamed South East Wales Corporate Joint Committee (CJC)) reprofile of the capital contributions required for the City Deal, the Council is not anticipating a requirement to make a capital contribution in the current year.

Bridgend Heat Scheme (£3.265 million)

Options are still being considered for the implementation of a heat network in Bridgend and therefore the scheme is being slipped into 2025-26.

Porthcawl Grand Pavilion (£8.688 million)

The initial main works tender return date was 3 September 2024, but no affordable tender was received therefore the contract could not be awarded. A value engineering exercise has taken place to reduce the scheme where possible and the scheme will go back out to tender in November 2024. As a result of this delay, £8.688 million is being slipped into 2025-26.

In addition to the above schemes, one scheme has been identified as requiring budget to be brought forward from 2025-26 to 2024-25:

Disabled Facilities Grants (£0.500 million)

Following Cabinet approval on 22 October 2024, the Council will enter into a Framework Agreement to deliver works required through Disabled Facilities Grants. The budget in 2024-25 has been fully committed, therefore £0.500 million is being brought forward from 2025-26 which will allow contractors to be appointed to new projects using the framework.

- 3.1.5 There are a number of amendments to the capital programme for 2024-25, such as new and amended schemes, since the capital programme was last approved, including:

Schools Capital Maintenance Grant (£1.095 million)

Welsh Government has awarded the Council £1.095 million from the Sustainable Communities for Learning Programme Repairs and Maintenance Grant. The funding will support capital maintenance work and will assist in reducing revenue costs by improving energy efficiency and performance of the school buildings.

Ysgol Gymraeg (YG) Bro Ogwr Mobile Classrooms (£0.223 million)

On 15 August 2022, Welsh Government confirmed the award of grant funding of £0.270 million in respect of mobile classroom provision at YG Bro Ogwr. Following a nil return to the original tender process, contractors confirmed that due to the volatility of construction costs the funding available was insufficient to provide the required

classrooms. Following discussions with Welsh Government, an additional £0.223 million has been awarded to allow the scheme to proceed.

Road Signs 20mph Default Speed (£0.193 million)

An additional £0.193 million has been awarded by Welsh Government to support the implementation of the 20mph default speed limit on restricted roads across the County Borough, bringing the total amount of grant funding available in 2024-25 to £0.521 million.

Replacement of Street Lighting Columns (£0.045 million)

£0.045 million of a Highways S106 contribution from Barratts Homes has been added to the budget, to fund works in the Bryntirion area.

Grass Cutting Equipment (£0.340 million)

On 25 September 2024 Council approved a virement of £0.340 million from the Raven's Court capital programme budget to a new urban and rural grass cutting scheme to fund the cost of equipment for the service when it is brought in-house. This was to enable orders to be placed in time for delivery of the equipment in readiness for when it is needed in March 2025.

In addition to the above schemes, two schemes have been removed from the capital programme. These are shown as negative approvals:

Education S106 Schemes (£0.169 million)

The Education S106 contributions received for Ysgol Gymraeg Bro Ogwr Replacement, Pencoed Primary Classroom Extension and Coety Primary Extension have now been included in the funding for these schemes, meaning that all Education S106 contributions are now committed within the capital programme. Therefore, the Education S106 scheme (row 20) has been removed from the capital programme.

Leasing Scheme Wales (£0.187 million)

After reviewing the planned expenditure the Leasing Scheme Wales project has been deemed to be revenue in nature and therefore the budget has been removed from the capital programme. The scheme is fully funded by a Welsh Government grant.

3.2 Capital Programme Board

3.2.1 The capital programme board has met on a number of occasions to review the existing capital programme, consider the resources available to the Council for capital works, and to appraise new and emerging pressures for capital funding.

In addition to the two schemes being removed, as outlined in paragraph 3.1.5, following the capital programme review a number of capital budgets, most of which are residual budgets from schemes that have ended or are no longer progressing, are proposed to be unwound. These are shown in Table 3 below:

Table 3 - Capital Budgets to be Unwound

Scheme	Amount £'000	Reason for Unwinding
Road Safety - Heol Mostyn	168	scheme complete
Penprysg Road Bridge	13	scheme not progressing
AHP Waste	4	scheme complete

Fire Suppression Tondu Depot	17	scheme complete
Capital Asset Management Fund	773	scheme not progressing
Raven's Court	106	scheme not progressing
Waterton Depot	3,500	£3.5m land sale not possible
Total	4,581	

3.2.2 In addition, there are a number of annual fixed capital allocations in the capital programme, which have also been reviewed, and the capital programme board recommended that these are reduced in the capital programme as follows from 2025-26, to free up funding for other schemes:

Table 4 – Annual Fixed Allocation Amendments

Scheme	Current Allocation £'000	Amended Allocation £'000	Reason for Amendment
Corporate Capital Fund	200	0	Very little spent in previous years. Other funding sources available, such as ICT Fund.
2030 Decarbonisation	400	150	Decarbonisation elements are being built into scheme specific budgets, rather than as standalone schemes. There are also a wide range of external grant funding options available.

3.2.3 The capital programme board has considered bids for additional funding from directorates and is proposing total new investment of £19.520 million, to be funded as set out in Table 5 below. The majority of these schemes are already in the capital programme but, for reasons detailed below, the funding is either not sufficient to progress the scheme or needs enhancing to undertake additional works.

Table 5 – Proposed Additional Funding

Scheme	Additional BCBC Funding £'000			
	2025-26	2026-27	2027-28	Total
Heronbridge Replacement	6,182	-	-	6,182
Mynydd Cynffig Replacement	1,700	-	-	1,700
Y G Bro Ogwr Replacement	808	-	-	808
Coety Primary School Extension	330	-	-	330
Community Childrens Play Areas	1,000	-	-	1,000
Community Asset Transfers	500	-	-	500
Highways Refurbishment	1,000	-	-	1,000
Waste Vehicles	3,000	3,000	2,000	8,000
Total	14,520	3,000	2,000	19,520
Funded by				
Unwinding of Existing Capital Budgets (Table 3)	4,581	-	-	4,581
Amendment of Annual Fixed Allocations (Table 4)	450	450	450	1,350
Unallocated Capital Budget	-	1,203	1,434	2,637
Uncommitted Capital Receipts	2,000	-	-	2,000
Unwound Earmarked Reserves	5,022	-	-	5,022
Additional Borrowing	2,467	1,347	116	3,930
Total	14,520	3,000	2,000	19,520

More detail on the specific schemes is detailed below.

Héronsbridge Replacement (£6.182 million)

In 2021 Welsh Government approved the Outline Business Case (OBC) for the Heronsbridge replacement scheme, in which the Council committed to funding £7.884 million of the overall £34.504 million cost. However, since that time the construction industry has seen costs escalate due to COVID-19, the war in the Ukraine, costs of incorporating decarbonisation measures and energy price increases, which has resulted in the projected cost of the scheme significantly increasing to £59.985 million. A revised OBC detailing the increased budget has recently been approved by the Cabinet Secretary for Education, and the scheme can progress to the Full Business Case (FBC) stage once the additional Council funding of £6.182 million is approved. Once the FBC is submitted, Welsh Government should approve the additional grant match funding of £19.299 million to ensure there is sufficient funding overall to meet the estimated scheme costs. This will be added to the capital programme once approved.

Mynydd Cynffig Replacement (£1.700 million)

Welsh Government approved the OBC for the Mynydd Cynffig Replacement scheme in 2021 and, due to the same reasons outlined above, the costs have increased from £12.838 million to £17.508 million. A revised OBC detailing the increased budget has recently been approved by the Cabinet Secretary for Education, and the scheme can progress to the Full Business Case (FBC) stage once the additional Council funding of £1.700 million is approved. Once the FBC is submitted, Welsh Government should approve the additional grant match funding of £2.970 million to ensure there is sufficient funding overall to meet the estimated scheme costs. This will be added to the capital programme once approved.

YG Bro Ogwr Replacement (£0.808 million)

Welsh Government approved the OBC for YG Bro Ogwr in 2021 and, due to the reasons outlined above, the costs have increased from £15.135 million to £17.787 million. A revised OBC detailing the increased budget has recently been approved by the Cabinet Secretary for Education, and the scheme can progress to the Full Business Case (FBC) stage once the additional Council funding of £0.808 million is approved. Once the FBC is submitted, Welsh Government should approve the additional grant match funding of £1.844 million to ensure there is sufficient funding overall to meet the estimated scheme costs. This will be added to the capital programme once approved.

Coety Primary School Extension (£0.330 million)

In June 2022, Council approved a budget of £1.650 million to construct a four-classroom extension at Coety Primary, to address the increased demand for places at the school. However, since that time construction costs have significantly increased, and technical officers have now estimated that an additional £0.330 million is required to deliver the scheme.

Community Children's Play Areas (£1.000 million)

A refurbishment programme is underway of dated Children's Play Area Facilities throughout the county borough, based on need identified via an annual externally commissioned inspection. An additional £1.000 million has been added to the budget to allow the next phase of the refurbishments to proceed.

Community Asset Transfers (£0.500 million)

The Community Asset Transfer (CAT) fund provides capital funding to allow the transfer of assets from the Council to community groups and also funds improvements post-transfer as and when self-management agreements are finalised. £0.500 million has been added to the budget, allowing additional transfers to be agreed and also reducing revenue costs associated with the maintenance of these assets.

Highways Refurbishment (£1.000 million)

Without adequate capital funding, the network will deteriorate at an ever-increasing rate and ultimately cost more to repair by patching and pothole filling, rather than current timely resurfacing interventions. A failure to adequately invest may increase the likelihood of claims or prosecutions against the authority.

Waste Vehicles (£8.000 million)

As reported to Council in July 2024, the existing fleet of waste vehicles is experiencing reliability issues which is having a significant detrimental impact to service delivery. The purchase of 4 recycling vehicles was approved by Council in July 2024, and they are due for delivery in May 2025, but the remaining vehicles will need to be replaced over the next three years to ensure service delivery is not negatively impacted. Therefore, £8.000 million has been added to the programme over the next 3 years to replace the waste vehicle fleet.

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

3.3 Prudential and Other Indicators 2024-25 Monitoring

3.3.1 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 in the Capital Strategy which was approved by Council on 28 February 2024. 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.

3.3.2 In February 2024, Council approved the Capital Strategy for 2024-25, which included the Prudential Indicators for 2024-25.

3.3.3 **Appendix C** details the actual indicators for 2023-24, the estimated indicators for 2024-25 set out in the Council's Capital Strategy and the projected indicators for 2024-25 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 These are reflected within the report where relevant to specific schemes.

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 The costs of the increased borrowing shown in Table 5 will be minimised and will be dependent on when the need to borrow arises, the rates at the time of borrowing and how long the borrowing is for. The costs will be funded from available headroom within the capital financing revenue budget.

9. Recommendations

- 9.1 It is recommended that Council:
- notes the Council's Capital Programme 2024-25 Quarter 2 update to 30 September 2024 (**Appendix A**).
 - notes the slippage of £12.643 million to 2024-25 as detailed in **Appendix B**.
 - approves the virements between schemes as detailed in **Appendix B**.
 - approves the new additions/reductions to the capital programme in 2024-25 totalling -£3.831 million as outlined in **Appendix B**.
 - approves the new additions to the capital programme between 2025-26 and 2027-28 totalling £19.520 million as detailed in **Section 3.3**.
 - notes the actual Prudential and Other Indicators for 2023-24 and projected for 2024-25 (**Appendix C**).

Background documents

None