

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

16 JULY 2014

REPORT OF THE CORPORATE DIRECTOR – RESOURCES

CAPITAL PROGRAMME 2013-14 TO 2023-24

1. Purpose of the report

- 1.1 The purpose of this report is to obtain approval from Council for a revised capital programme for 2013-14 to 2023-24.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 Capital investment in our assets is a key factor in meeting the Improvement Objectives set out in the Council's Corporate Plan.

3. Background

- 3.1 On 19th February 2014, Council approved a capital programme for the Authority for the years 2013-14 to 2023-24. This report proposes amendments to that programme to reflect changes that have occurred since the programme was approved.

4. Current situation / proposal

- 4.1 Since the capital programme was approved by Council in February 2014 there have been a number of changes which require Council to approve a revised capital programme for the period 2013-14 to 2023-24.

Changes are required to:

- reflect additional funding required to support some projects.
- re-profile spend across financial years following slippage in 2013-14.
- reflect changes to funding profiles for various schemes. For example, the Welsh Government has now confirmed the element of funding for the 21st Century Schools Programme which will be met from the Local Government Borrowing Initiative and that which will be met from capital grant.
- reflect re-allocations of Special Regeneration Funding (SRF) to/from specific projects, within the overall annual SRF allocation.
- Recognise new schemes in the programme such as Vibrant and Viable places.

4.2 Special Regeneration Funding

The capital programme includes an SRF annual allocation of £540,000, up to and including 2016-17. This provides flexibility in the capital programme to enable the Council to take advantage of and maximise external funding opportunities; mitigate funding shortfalls which can occur between grant bid and offers stages and provide some contingency for additional spending pressures on regeneration projects.

4.3 Capital Programme 2013-14

The Quarter 3 monitoring report presented to Cabinet on 4th February 2014 identified a number of schemes which had variances compared to budget. Since then the position has been revised to provide an updated position.

In summary, total expenditure on capital in 2013-14 was £36.912 million, £2.398 million less than budget. Of this, £2.221 million is proposed to be carried forward into 2014-15, resulting in an underspend of £177,000. The majority of the underspend relates to funding retained for potential outstanding internal fees on completed capital schemes. Only £65,000 was required, resulting in an underspend of £135,000.

Two of the projects included in the quarter 3 monitoring report were in relation to Porthcawl Harbour and Maesteg Town Centre Regeneration. The current position is as follows:

Porthcawl Harbour Development

The original budget approved for the project was £3.350 million, comprising £1.076 million from Visit Wales Grant and £2.274 million from Council resources. The current projected spend is £3.867 million, as a result of additional costs of early warning notices issued by the contractor, and other unforeseen works. Negotiations with the contractor are on-going and it is not possible to provide a definitive outturn figure at this point. Since approval, grant funding reduced by £52,000 to £1.024 million, and the directorate has utilised £250,000 of unallocated SRF funding to part meet the shortfall, along with a £24,000 revenue contribution towards flood damage works. It is proposed to use £300,000 from capital receipts, including those generated from the sale of the Jennings building to meet the balance. This results in a revised budget of £3.872 million.

The Internal Audit section is currently reviewing this project and will provide a report to Audit Committee in September.

Maesteg Town Centre Regeneration

The regeneration of Maesteg Town Centre commenced in 2003-04 and comprises 4 phases, some of which ran concurrently over the period. The total budget for all 4 phases is £7.611 million and estimated expenditure is £7.387 million. Expenditure on Phases 1-3 resulted in an underspend of £97,000 which was transferred to Phase 4 of the project. In addition, further SRF funding was transferred to the project as a contingent provision against potential project overspends.

Phase 4 started in 2010-11 and is near completion. The project cost for Phase 4 is projected to be £2.812 million, resulting in an underspend of £127,000 which will be carried forward in the capital programme to meet future match funding arrangements for regeneration projects.

4.4 Capital Programme 2014-15 onwards

The capital programme for 2014-15 onwards has been amended to take into account:

21st Century Schools

Welsh Government has confirmed that it will use the Local Government Borrowing Initiative (LGBI) to fund 25% of the Welsh Government's share of its £22,475,000 match funding of the 21st Century Schools Programme. For Bridgend this equates to £5,562,627. Funding to meet the cost of borrowing will be paid to the Council in 2014-15 as a specific grant and will equate to £115,064, which should enable the Council to borrow £1,980,065 at current PWLB interest rates. Subsequent allocations will be transferred into the Revenue Support Grant settlement will equate to £147,940 (to borrow £2,545,798) for 2015-16, and £65,751 (to borrow £1,131,466) in 2016-17.

New and Revised Schemes

There are some new schemes that have been included within the programme following approval of external funding, in particular:

- A Welsh Government grant of £0.335 million for the payment of land compensation payments.
- Welsh Government has recently approved funding of £5.98m from the Vibrant and Viable Places regeneration scheme to enhance Bridgend town centre.

Bridgend Market

A budget of £600,000 was included within the capital programme agreed by Council in February 2013 for the replacement of the roof at Bridgend Market in compliance with the terms of the lease. Following a recent tender process it has been determined that the full cost of the works, including fees, will be approximately £700,000. Consequently the budget has been increased by £100,000 to meet the full cost.

Non Operational Assets

In order that the Council can act swiftly when property investment opportunities present themselves, it is proposed that £1 million is allocated within the capital programme for 2014-15 for this purpose, which will be subject to annual review, to maximise income generating opportunities with the aim of alleviating pressure on the revenue budget. Any acquisitions will be subject to business cases showing an appropriate income yield and independent property valuations being carried out. Any capital receipts generated from the sale of redundant non- operational capital assets will be accounted for as general funding within the capital programme. This

is linked to the non-operational property strategy 2013-14 to 2016-17 that was approved by Cabinet in July 2013.

Maximising Space and Technology

In the capital programme approved by Council in February, funding was included of £500,000 in respect of improvements to office accommodation to progress the Maximising Space and Technology Programme. This included significant works to the Civic Offices to enable the introduction of agile working and the digital office, through increases to the number of desks and occupants in the building. Work is due to commence on the building works, but additional funding of £300,000 is required to enable works to be advanced on the fourth floor and on the first floor in order to escalate the programme, including aiding partnership working on the ground floor. It will also enable Sunnyside to be vacated to generate a capital receipt.

4.5 Slippage from 2013-14

Some of the projects have been re-profiled across financial years, which has enabled some allocations for 2013-14 to be slipped into 2014-15. The most significant of these are:-:

- Coleg Cymunedol y Dderwen - £619,000 budget re-profiled to 2014-15.
- Pen-y-fai Primary School - £588,000 budget re-profiled to 2014-15.
- School Modernisation Programme - £313,000 budget, including previous allocations in respect of Litchard Primary and Bryncethin Amalgamation, re-profiled to 2014-15.
- Lewistown Flying Start Provision - £218,000 budget re-profiled to 2014-15 following agreement with Welsh Government.
- Gateway to Valleys Primary provision Development - £129,000 budget re-profiled to 2014-15.
- Bridgend Day Centre - £136,000 carried into 2014-15 due to on-going arbitration process with contractor.
- Celtic Court - £100,000 budgeted spend re-profiled to 2015-16.
- Highways Street Infrastructure - £300,000 slippage due to delays in procuring street lighting units.
- Rhiw Rock Face Stability Works - £98,000 budget re-profiled to 2014-15.
- Porthcawl Development Programme - £88,000 budget re-profiled to 2014-15.
- Housing Renewal Area Scheme - £116,000 of the grant has been re-profiled to 2014-15, following agreement with WG.
- Housing Renewal / Disabled Facilities Grant - £138,000 reduction in previous £350,000 projected under spend for 2013-14 previously reported due to advancement of additional applications in-year.

4.6 A revised capital programme allowing for the proposed changes along with anticipated slippage from 2013-14, additional external funding approvals and changes to expenditure profiles is attached as Appendix 1 to this report.

5. Effect upon Policy Framework and Procedure Rules

- 5.1 Paragraph 3 of the Financial Procedure Rules requires that any variations to the capital programme shall require the approval of the Council.

6. Equality Impact Assessment

- 6.1 Projects within the capital programme will be subject to the preparation of equality impact assessments before proceeding.

7. Financial Implications

- 7.1 These are reflected in the body of the report.

8. Recommendations

Council is requested to approve the revised Capital Programme as set out in Appendix 1 of this report.

Janet Smith CPFA
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July 2014

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Background Papers

Report to Council 19th February 2014
Report to Cabinet 24th June 2014