

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

18 MAY 2016

REPORT OF THE CHIEF EXECUTIVE

CAPITAL PROGRAMME 2016-17 TO 2025-26

1. Purpose of Report.

- 1.1 The purpose of this report is to obtain approval from Council for a revised capital programme for 2016-17 to 2025-26.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

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

3. Background.

- 3.1 In March 2016 Council approved a capital programme for 2015-16 to 2025-26 of £163.774 million as part of the Medium Term Financial Strategy (MTFS). This reflected funding changes to some schemes, slippage into 2016-17, additional external funding approvals and new capital investment requirements identified following a rigorous appraisal process of new risks and priorities against funding availability. The capital programme as approved by Council is attached as **Appendix 1** for information.

4. Current situation / proposal.

- 4.1 Since the Medium Term Financial Strategy was approved by Council in March 2016 a small number of additional schemes have been identified that need approval for inclusion in the capital programme. Further detail on the individual schemes is provided below:

4.2 Solar Panels Civic Offices

In October 2015 Council approved funding within the capital programme to undertake significant works to the external envelope of Civic Offices during 2016-17 and 2017-18. Since then, an opportunity has arisen to install a Solar Photovoltaic (PV) System on the roof of Civic Offices, which can be undertaken at the same time as the refurbishment works, enabling efficiencies to be achieved from the use of the scaffolding already installed. The total cost of the scheme is estimated to be £40,000, including fees and contingency.

The solar panels will generate a small amount of electricity for the Civic Offices, which will reduce the amount of electricity purchased from the grid. This is in addition to a 50% return on electricity generated through the Feed In Tariff (FIT),

ensuring the scheme provides a good financial return on investment, and supports the corporate priority of making smarter use of resources.

Funding for the scheme will be ring fenced from the underspend on the Resources directorate revenue budget in 2015-16, and will be transferred to an earmarked reserve and used to provide a revenue contribution to capital in 2016-17.

4.3 Digital Transformation Programme

In the MTFs approved by Council in March, reference was made to the level of Council reserves and potential future pressures, including Digital Transformation, which supports the new corporate priority of making smarter use of resources, and is integral to achieving a number of budget reduction proposals in the Medium Term Financial Strategy.

Digital technology presents an opportunity to improve citizens' access to services and engagement with the Council while reducing operating costs. There is a significant cost reduction opportunity by reducing inbound call volumes and manual intervention through a digital channel shift strategy. Beyond the efficiency savings, an effective online presence is a useful tool for building active user communities and provides valuable feedback to improve and develop new services through interactions with our customers. The use of printed materials can be minimised, reducing cost and environmental impact and provides an economical and effective communication and marketing channel as well as providing valuable customer insight. A digital operating model would enable more cost effective, integrated and modern ways of working. Smarter ways of working and better more intuitive use of information will enable us to create more responsive services through the use of a common ICT platform and integrated systems.

Moving to a digital operating model will therefore involve the design of fit for purpose digital processes based on understanding the "customer journey". This will enable the council to develop low effort self-sufficient processes which can deliver cashable savings as well as high customer satisfaction rates. The effective redesign of business processes will be a critical success factor for the programme as they will determine whether digital self-service options are the first resort for customers, and ensure that existing systems and processes align with any new digital platform. To implement digital transformation will require a combination of capital funding in the form of investment into a new online platform as well as revenue costs from process redesign and marketing. In addition there are likely to be ongoing revenue costs from licences and support (whether internal or external) which would need to be offset against recurrent savings.

The Council will be required to go out to tender to secure the digital platform, and until this process is complete the actual cost will not be known with accuracy. However, based on research and evaluation carried out to date, it is considered prudent to budget for up to £2.5 million to cover all potential capital costs, although this may be revised once the tender process has been completed.

Further to the MTFs, the cost of the capital element of the digital transformation project will be funded from earmarked reserves established at year end from corporate underspends.

4.4 Vibrant and Viable Places (VVP)

The VVP regeneration scheme, which covers both the provision of a multi-storey car park and commercial and residential properties, totals £9.6 million, £6.7 million of which will be incurred by the Council, funded from Welsh Government grant (£6 million), Section 106 and other funding sources. The capital programme currently includes the full scheme cost, including match funding and external funding. However, since Coastal Housing will be incurring expenditure from both Social Housing Grant and their own resources of almost £3 million, the capital programme has been updated to remove this element as the spend will not pass through the authority.

4.5 Coleg Cymunedol y Dderwen (CCYD) Hub

Minor works are planned to the North locality hub based at CCYD. The current configuration is not fit for purpose and does not allow for effective locality based working. The current layout is three separate rooms which were created to support previous working arrangements at the school which are no longer in place. Work will be undertaken to create an open plan environment to allow for more integration and greater numbers of staff to work from this location.

The estimated cost of the works is £40,000 and funding for the scheme will be ring fenced from the underspend on the Education directorate revenue budget in 2015-16, and will be transferred to an earmarked reserve and used to provide a revenue contribution to capital in 2016-17.

4.6 21st Century Schools Programme

Highways Works

Reports were presented to Cabinet in September 2015 outlining additional highways requirements in respect of the Brynmenyn Primary and Garw Valley Primary Schemes. The costs of this work is currently estimated to be £725,000 which was intended to be met from within the overall scheme envelope, through receipt of additional Section 106 funding for Brynmenyn Primary and through available capital receipts. As the works are outside of the school boundaries they are not eligible for Welsh Government match funding, so must be accounted for and funded in full by the local authority, and as such are now treated as separate schemes within the capital programme, with the budgets for the school schemes reduced accordingly.

21st Century Schools' Matched Funding

When the 21st Century Schools programme was first developed the intention was to meet an element of the overall match funding through prudential borrowing, from revenue savings generated as a result of school amalgamations. However, since the number of schools in scope within this programme has changed since it was originally devised, and therefore the opportunity for generating revenue savings has diminished, especially with the higher cost of business rates in new builds, there is

currently estimated to be a shortfall in overall funding of £119,000. This is less than the original proposed prudential borrowing due to the generation of additional capital receipts from sales of other surplus school sites. It is proposed to meet this shortfall by transferring funding from the School Modernisations Retention budget within the capital programme.

The Welsh Government has currently committed to fund £22.475 million of the total costs for the current 21st Century Schools Programme, with the Council meeting the remaining £23.035 million. As schemes are progressed through feasibility and design stage, it has become apparent that the costs of some schemes within the programme will be higher than originally anticipated, due to site abnormalities and rising construction costs. The Council will seek additional funding from Welsh Government through a revised Strategic Outline Programme (SOP) towards increased costs of the schemes as they are known, but there will be a requirement for additional match funding contributions from the Council if it wishes these schemes to progress. Whilst the Council has a small amount of uncommitted capital receipts available to meet these potential costs, there is unlikely to be sufficient to meet the full costs, and therefore it is requested that an “in principle” agreement is made to ring fence the next capital receipts received of up to £1.5 million to ensure the programme is not delayed. Further details on specific scheme costs and funding will be reported once the full impact on the Council is known.

- 4.7 A revised capital programme allowing for the inclusion of the additional schemes, along with additional external funding approvals and changes to expenditure profiles since the report in March 2016, is attached as **Appendix 2** to this report.

5. Effect upon Policy Framework & 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 The financial implications are outlined in the body of the report.

8. Recommendation.

Council is recommended to approve the revised Capital Programme as set out in Appendix 2 of this report and agree “in principle” to ring fence the next capital receipts received of £1.5 million to ensure the programme can be progressed.

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Background documents

Report to Cabinet 1 September 2015: School Modernisation Programme: Outcome Of Public Notice On The Proposal To Relocate Brynmenyn Primary School To Land Adjacent To Coleg Cymunedol Y Dderwen And Make A Regulated Alteration In The Form Of An Enlargement.

Report to Cabinet 1 September 2015: School Modernisation Programme: Outcome of Public Notice on Proposal to Make a Regulated Alteration to Ysgol Gynradd Gymraeg Cwm Garw by Relocating the School.

Report to Council 7 October 2015: Capital Programme 2015-16 to 2024-25

Report to Council 10 March 2016: Medium Term Financial Strategy 2016-17 to 2019-20