

The Vale of Glamorgan Council

Homes and Safe Communities Scrutiny Committee: 6th December 2017

Report of the Director of Environment and Housing

Initial Capital Programme Proposals 2018/19

Purpose of the Report

1. To provide an update on the progress of the Capital Programme for 2017/18 and to submit for consultation the initial capital proposals for 2018/19.

Recommendations

It is recommended that :-

1. Committee note the changes to the 2017/18 Capital Programme.
2. Scrutiny Committee consider the 2018/19 initial capital budget proposals and forward its recommendations to Scrutiny Committee (Corporate Performance and Resources) as the lead Scrutiny Committee.

Reasons for the Recommendations

1. To ensure that Members are aware of the position with regards the 2017/18 Capital Programme, relevant to this Scrutiny Committee.
2. In order that Cabinet be informed of the comments of Scrutiny Committees before making a final proposal on the 2018/19 Capital Programme.

Relevant Issues and Options

2017/18 Capital Programme

2. Appendix 1 details financial progress on the Capital Programme as at 30th September 2017.
3. WHQS Environmental Improvements – Work on the Buttrills Environmental Scheme started in July 2017 and it is estimated to take 18 months to complete. The scheme is to be completed in three phases: roofing, walls and internal/external communal areas, with the communal areas unlikely to be completed until the 2018/19 financial year. It has therefore been requested that £373k is carried forward into the 2018/19 Capital Programme. This change has been reflected in Appendix 2.

2018/19 to 2022/23 Capital Programme

4. The Welsh Government (WG) announced the provisional 2018/19 General Capital Funding, on 10th October 2017. The 2018/19 Capital Settlement is a flatlined capital settlement which for the Vale of Glamorgan Council equates to General Capital Funding of £5.505m which is made up of £2.083m General Capital Grant and £3.422m Supported Borrowing.
5. There is no indication of the level of funding likely beyond 2018/19 and therefore in line with the approach adopted in the Medium Term Financial Plan the proposals assume a reduction of 5% for each year of the programme from 2019/20.
6. Appendix 2 sets out the Initial Proposals for the Capital Programme between 2018/19 and 2022/23 for this Committee.
7. The Council will seek to mitigate the projected deteriorating funding situation by looking to progress only those schemes which are deemed to be a key Corporate Priority and make a clear impact to the Wellbeing and Future Generation priorities. The Council will seek assurances that schemes included in the Capital Programme can be delivered on time and within budget.
8. The Major Repairs Allowance (MRA), which is the grant that provides capital funding to the Housing Revenue Account (HRA), has not yet been announced by the Welsh Government for 2018/19. Cabinet will be advised once the announcement is made. An assumption has been made in Appendix 2 that the grant will continue at the 2017/18 allocation of £2.779m in 2018/19 and throughout the period of the Capital Programme.
9. In addition to external funding, the Council will finance part of the Capital Programme from its own resources, e.g. capital receipts and reserves.
10. The table below details the General Capital Funding and internal resources required to fund the proposed schemes for the Council as a whole.

Analysis of Net Funding Required for the Indicative 2018/19 Capital Programme

GENERAL FUND	£'000	£'000
Welsh Government Resources		
Supported Borrowing	3,422	
General Capital Grant	2,083	
Total Welsh Government Resources		5,505
Council Resources		
General Capital Receipts	3,633	
Reserves	4,869	
Total Council Resources		8,502
Net Capital Resources		
HOUSING REVENUE ACCOUNT		
Housing Reserves	4,566	
Housing Unsupported Borrowing	5,420	
Net Capital Resources		9,986
Total Net Capital Resources		23,993

Capital Bids 2018/19 to 2022/23

11. New capital bids were invited for return by 30th September 2017 and the number of bids received was in line with previous years since the 5 year Capital Programme was introduced (1 from Learning and Skills, 10 from Environment and Housing and 4 from Managing Director and Resources). Departments were requested to rank and assess their own bids in order of importance before submission and bids from each Department were forwarded to the Insight Group for evaluation.
12. The Insight Group used a number of criteria to assess the Capital Bids. The first criteria used was to classify the nature of the bids.
13. Where bids are rated an A or B on the criteria listed below there would clearly be a legal obligation to ensure that works are progressed in a timely manner within the confines of the funding available. Schemes that represent an invest to save opportunity or support the achievement of corporate priorities should also be prioritised the criteria used is set out below:-

Priority Level	Criteria
A	Health and Safety legislation
B	Other Legislation/Statutory Requirement
Ci	Economic Sense/Invest to Save
Cii	Corporate Plan
Ciii	Sufficiency
D	Condition/Suitability
E	Welsh Government Requirements
F	Low Priority

14. In addition, in accordance with the criteria set out in the Budget Strategy, the bids were prioritised in terms of their corporate priority and the risk they pose to the Council if they are not pursued. The risk assessment element was undertaken in line with the Council's Corporate Risk Management Strategy as follows;

Possible Impact or Magnitude of Risk	Catastrophic	MEDIUM	MEDIUM/HIGH	HIGH	VERY HIGH
	High	MEDIUM/LOW	MEDIUM	MEDIUM/HIGH	HIGH
	Medium	LOW	MEDIUM	MEDIUM	MEDIUM/HIGH
	Low	VERY LOW	LOW	MEDIUM/LOW	MEDIUM
Risk Matrix		Very Unlikely	Possible	Probable	Almost Certain
		Likelihood/Probability of Risk Occurring			

15. Taking into account the nature of capital schemes, the following criteria were applied to assess corporate priority:

Corporate Priority	Score
Commitments and areas where the Council has no control over the expenditure, e.g. contractual and legal commitments, absolute minimum statutory service, taxes, etc.	3
Very high priority (publicly announced commitment e.g. items included in the Community Strategy, Corporate Plan etc.)	2
"Invest to Save" and preventative expenditure	2
Statutory expenditure above the absolute minimum and other priorities	1
Low Priority	0

16. The bids were also reviewed for the contribution that they made to the Wellbeing and Future Generations criteria as set out below;
- Long Term
 - Integration
 - Collaboration
 - Prevention
 - Involvement
17. Each scheme was awarded one point for every one of the outcomes that it met to a maximum of 5.
18. Only those schemes assessed as corporate priority 1 or higher and medium risk or higher are included in these proposals. In addition the schemes put forward should contribute to at least three Wellbeing and Future Generations outcomes and should have a scheme priority factor of either A/B/Ci/Cii/Ciii. The bids that did not meet these criteria were excluded from consideration as there was insufficient funding available however there were no such bids relating to this Committee.
19. The bid that has been funded is set out below with the proposed funding profile;

Successful Bids	2018/19	2019/20	2020/21	2021/21	2022/23	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Disabled Facility Grants	150	150	150	150	150	750
Total	150	150	150	150	150	750

Housing Improvement Plan

20. The 2017/18 Housing Improvement Programme budget currently totals £21.353m. It has been requested above that £373k is carried forward into 2018/19. The funding of the 2017/18 programme has been amended as set out in the table below: -

Funding	Current 2017/18	Amended 2017/18
	£'000	£'000
Major Repairs Allowance Grant	2,770	2,779
Other Grant	166	166
CERA	5,148	6,481
Unsupported Borrowing	13,269	9,767
HRA Capital Receipts	0	1,787
Total	21,353	20,980

Next Steps

21. The next stage is for the estimates to be submitted to Scrutiny Committees for consultation. Each Scrutiny Committee will be asked to first consider the Initial Capital Programme proposals as shown in Appendix 2 and to make any recommendations for changes. If changes are requested, the reason for this needs to be recorded in order to assist the Cabinet and the Budget Working Group (BWG) in drawing up the final proposals. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Capital Budget Proposals and any recommendations that other Scrutiny Committees have made. The responses of Scrutiny Committees must be made no later than the 14th December 2017.
22. Managers will be asked to revisit the schemes included in Appendix 2 and to confirm final costs and spend profile prior to the final proposals being presented to Cabinet.
23. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than the 19th February 2018 and that Cabinet's final Capital Programme proposals will be considered by Council at a meeting to be held on 28th February 2018 to enable the Council Tax to be set by 11th March 2018.

Resource Implications (Financial and Employment)

24. The total net capital expenditure of the proposed programme for the Council as a whole, over the 5 years, is £103.407m and the effect on General Fund useable capital receipts will be as shown in the following table.

Capital Receipts	General	Ringfenced Social Services	Ringfenced Education
	£'000	£'000	£'000
Anticipated Balance as at 1st April 2018	4,764	1,339	1,299
Anticipated Requirements – 2018/19	-3,545	0	-88
Anticipated Receipts – 2018/19	0	0	0
Balance as at 31st March 2019	1,219	1,339	1,211
Anticipated Requirements – 2019/20	-215	-1,339	-3,325
Anticipated Receipts – 2019/20	0	0	4,093
Balance as at 31st March 2020	1,004	0	1,979
Anticipated Requirements – 2020/21	-313	0	-7,603
Anticipated Receipts – 2020/21	0	0	6,012
Balance as at 31st March 2021	691	0	388
Anticipated Requirements – 2021/22	-100	0	-729
Anticipated Receipts – 2021/22	0	0	2,832
Balance as at 31st March 2022	591	0	2,491
Anticipated Requirements – 2022/23	0	0	-2,290
Anticipated Receipts – 2022/23	0	0	500

Balance as at 31st March 2023	591	0	701
Anticipated Requirements – 2023/24	-2	0	-701
Anticipated Receipts – 2023/24	0	0	0
Balance as at 31st March 2024	589	0	0

25. In line with the overall strategy and specific suggestions proposed by the Budget Working Group, in order to resource the Capital Programme, reserves will be utilised over the period of the Capital Programme 2018/19 to 2022/23.

26. The Project Fund will be used to fund schemes assessed on an invest to save basis, and in certain circumstances business critical schemes may also be funded from this reserve with the prior approval of the Head of Finance. The projected usage of this reserve over the period of the Capital Programme is shown below;

Project Fund	£'000
Anticipated Balance as at 1st April 2018	2,443
Anticipated Requirements – 2018/19	0
Anticipated Receipts – 2018/19	0
Balance as at 31st March 2019	2,443
Anticipated Requirements – 2019/20	-62
Anticipated Receipts – 2019/20	0
Balance as at 31st March 2020	2,381
Anticipated Requirements – 2020/21	-150
Anticipated Receipts – 2020/21	0
Balance as at 31st March 2021	2,231
Anticipated Requirements – 2021/22	0
Anticipated Receipts – 2021/22	0
Balance as at 31st March 2022	2,231
Anticipated Requirements – 2022/23	0
Anticipated Receipts – 2022/23	0
Balance as at 31st March 2023	2,231

27. The above forecast balances need to be seen in the context of significant pressures for spending which are not yet included in the Capital Programme. These include the backlog of school, highways and buildings improvements.

Sustainability and Climate Change Implications

28. The bids have also been evaluated for Sustainable Development. The four areas of Sustainable Development to be considered are:

- Living within environmental limits
- Ensuring a strong, healthy and just society
- Achieving a sustainable economy
- Promoting good governance

29. Sustainability checklists were submitted by Project Managers for each of the proposed bids included in Appendix 2. These were reviewed by the Insight group, with a view to ensuring that wherever possible the four sustainable targets are addressed.

Legal Implications (to Include Human Rights Implications)

30. The Council is required to show that capital expenditure is covered by identified resources.

Crime and Disorder Implications

31. The obligations of the Council with regard to Section 17 need to be fully considered in the budget decision making process.

Equal Opportunities Implications (to include Welsh Language issues)

32. Additional finance improves the Council's opportunities for assisting disadvantaged members of society.

Corporate/Service Objectives

33. Funds allocated contribute to the wide range of corporate service objectives as set out in the Corporate Plan.

Policy Framework and Budget

34. This report follows the procedure laid down in the constitution for the making of the budget. The 2018/19 budget proposals will require the approval of Council. The proposals for amendments to the 2017/18 Capital Programme are the responsibility of Cabinet.

Consultation (including Ward Member Consultation)

35. All Scrutiny Committees will be consulted on the proposals.

Relevant Scrutiny Committee

36. The lead Scrutiny Committee is Corporate Performance and Resources.

Background Papers

Bids received from departments
Correspondence received from the Welsh Government

Contact Officer

Capital Accountant,
Resources

Officers Consulted

The following Officers have been consulted on the contents of this report:-
Corporate Management Team
Budget Working Group

Responsible Officer:

Miles Punter

CAPITAL MONITORING
FOR THE PERIOD ENDED 30TH SEPTEMBER 2017

APPENDIX 1

PROFILE TO DATE £000	ACTUAL SPEND 2017/18 £000		APPROVED PROGRAMME 2017/18 £000	PROJECTED OUTTURN 2017/18 £000	VARIANCE AT OUTTURN 2017/18 £000	PROJECT SPONSOR	COMMENTS
		Youth Offending Service					
18	0	91 Salisbury Road Boiler Renewal	48	48	0	R Evans	Scheme complete, retention outstanding.
1	3	Electrical Rewires to Social Services	1	3	(2)	R Evans	Scheme complete, retention outstanding. overspend to be funded from revenue.
19	3		49	51	(2)		
		Housing Improvement Programme					
247	247	WHQS Internals	1,567	1,567	0	M Punter	Continuation of WHQS works
4,089	4,089	WHQS Externals	11,142	11,142	0	M Punter	Continuation of WHQS works
172	172	Jenner Road	215	215	0	M Punter	Roofing works complete, works to walls incomplete due to access issues
0	0	Clive Place	39	39	0	M Punter	Work complete however final account yet to be agreed
81	82	St Lukes	81	82	(1)	M Punter	Work complete and final bills paid, overspend to be funded from underspend below.
50	50	St Pauls	51	50	1	M Punter	Work complete and final bills paid
2	2	Williams Crescent	277	277	0	M Punter	Communal works estimated to start Jan 18 with completion this financial year
20	20	Emergency Works	331	331	0	M Punter	Works to be undertaken as required
87	87	Aids and Adaptations	413	413	0	M Punter	Works to be undertaken as identified
110	110	Regeneration	196	196	0	M Punter	Brecon Court demolition complete
136	136	Common Parts	3,225	3,225	0	M Punter	Various works are on-going in communal areas
264	264	WHQS Environmental Improvements	2,978	2,605	373	M Punter	Works are on-going for garages and at Butrills. £373k to be carried forward.
359	359	New Build	665	665	0	M Punter	3 new bungalows completed Sept 17
0	0	Digital Highway in Sheltered Accommodation	32	32	0	M Punter	Welsh Government grant funding to introduce computers into the sheltered schemes.
117	117	ICF - Longmeadow Court Reablement	141	141	0	M Punter	Works are nearing completion
5,734	5,735		21,353	20,980	373		
		Private Housing					
498	511	Disabled Facilities Grant	1,350	1,350	0	B Guy	In the process of issuing grants.
29	0	ENABLE Funding	149	149	0	B Guy	Adaptations works are underway.
81	82	Castleland Renewal Area	263	263	0	B Guy	Upper Holton Road complete, the final phase of contract works within Gladstone park are on site.
91	50	Penarth Renewal Area	161	161	0	B Guy	Work nearing completion, works outstanding on one property which are due to complete end of November.
699	643		1,923	1,923	0		
6,452	6,381	COMMITTEE TOTAL	23,325	22,954	371		

Schemes	2018/19		2019/20		2020/21		2021/22		2022/23		Comments
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
HRA											
Housing Improvement Programme	9,986	12,765	8,591	11,370	5,474	8,253	5,615	8,394	0	0	Includes £373k slippage
Private Sector Housing											
Disabled Facility Grants	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Housing Regeneration Area	300	300	300	300	0	0	0	0	0	0	
Capital Bids 2018/19											
Additional Disabled Facility Grants	150	150	150	150	150	150	150	150	150	150	18/19 Capital Bid
Total Private Sector Housing	1,450	1,450	1,450	1,450	1,150	1,150	1,150	1,150	1,150	1,150	
COMMITTEE TOTAL	11,436	14,215	10,041	12,820	6,624	9,403	6,765	9,544	1,150	1,150	