

Meeting of:	<b>Homes and Safe Communities Scrutiny Committee</b>
Date of Meeting:	<b>Tuesday, 10 December 2019</b>
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	<b>Initial Capital Programme Proposals 2020/21 to 2024/25 and Capital Monitoring 2019/20</b>
Purpose of Report:	To submit the Initial Capital Programme Proposals for 2020/21 to 2024/25 to Scrutiny Committees for consultation.  To provide an update on the progress on the 2019/20 Capital Programme for the period 1st April 2019 to 30th September 2019.
Report Owner:	<b>Report of the Director of Environment and Housing</b>
Responsible Officer:	<b>Carys Lord, Head of Finance / Section 151 Officer</b>
Elected Member and Officer Consultation:	All Scrutiny Committees will be consulted on the Capital Programme.
Policy Framework:	This report follows the procedure laid down in the constitution for the making of the budget. The 2020/21 budget proposals will require the approval of Council. The proposals for amendments to the 2019/20 Capital Programme are the responsibility of Cabinet.
Executive Summary:	<ul style="list-style-type: none"> <li>• This report submits the Initial Capital Programme Proposals for the 2020/21 to 2024/25 to Scrutiny Committees for consultation.</li> <li>• The report provides an update on the progress of the Capital Programme for the period 1st April 2019 to 30th September 2019. Details by scheme are shown in Appendix 1.</li> <li>• The report sets out changes to the 2019/20 Capital Programme.</li> </ul>

## **Recommendations**

It is recommended :-

1. That Scrutiny Committee considers the Initial Capital Programme Proposals for 2020/21 to 2024/25 and forwards its recommendations to Scrutiny Committee (Corporate Performance and Resources) as the lead Scrutiny Committee.
2. That Committee considers the changes to the 2019/20 and future years Capital Programme.

## **Reasons for Recommendations**

1. In order that Cabinet be informed of the comments of Scrutiny Committees before making a final proposal on the 2020/21 to 2024/25 Capital Programme.
2. To note amendments to the 2019/20 and future years Capital Programme.

## **1. Background**

- 1.1 Council on 27th February 2019 (minute no 780) approved the Capital Programme for 2019/20 onwards.

## **2. Key Issues for Consideration**

### **2019/20 Capital Programme**

- 2.1 Appendix 1 details financial progress on the Capital Programme as at 30th September 2019.
- 2.2 Any changes to 2020/21 onwards have been reflected in Appendix 2.
- 2.3 HRA Internal Works - Works to heating systems in Sheltered Housing will not be undertaken in 2019/20 due to resources. It has been requested that £200k is carried forward into the 2020/21 Capital Programme for the works to be carried out.
- 2.4 HRA External Works - The Contract has been let for Aireys Non Traditional properties of which £400k of works will be completed in 2020/21. The contract is due to be let for windows and doors of which £180k of the works will be completed in 2020/21. It has therefore been requested to carry forward £580k into the 2020/21 Capital Programme.
- 2.5 Housing Improvement Programme Common Parts - Work is ongoing in relation to the communal area upgrades, however, a combination of delays has slowed

delivery of the various schemes and £446k of works will be completed in 2020/21. The fire risk safety contract has been let but £157k of works will be completed in 2020/21. It has therefore been requested to carry forward £603k into the 2020/21 Capital Programme.

- 2.6** Housing Improvement Programme Environmental Works - Work is ongoing on the Buttrills scheme and other environmental priorities will be identified following the preparation of the 2020/21 Housing Business Plan. It has therefore been requested that £213k is carried forward into the 2020/21 Capital Programme.
- 2.7** Housing Improvement Programme New Build - The Holm View new build scheme is due to complete in June 2020. It has therefore been requested that £600k is carried forward into the 2020/21 Capital Programme.
- 2.8** Disabled Facilities Grant - A number of recent referrals/applications have seen an increase in full means tests, which has resulted in a rise in applicant's self-funded adaptations. This has been coupled with a reduction of referrals being received. This possible trend may be due to the time of year, the effect of means testing or a combination of factors. The team will continue to monitor the situation to establish if this is a trend and what the causes may be. In 2018/19 there was a considerable rise in applications towards the end of the year. It has been requested to carry forward £152k into the 2020/21 Capital Programme.

### **2020/21 to 2024/25 Capital Programme**

- 2.9** The Provisional General Capital Funding for 2020/21 has not yet been announced by Welsh Government (WG) and is expected in mid-December 2019.
- 2.10** The Cabinet Secretary for Finance announced on 20 November 2018 in the Draft Budget for 2019/20, proposals for an extra £100m of capital funding to be made available for local authorities over 3 years . The first instalment of £50m was paid in 2018/19, with £30m being paid in 2019/20 and £20m in 2020/21. For the Council, this represents £1.9m in 2018/19, £1.1m in 2019/20 and could be around £700k in 2020/21, with confirmation due to be received as part of the provisional settlement. This additional funding has been factored into projections going forward, however as no further indication has been received from Welsh Government, it has been assumed that from 2021/22 onwards, the level of capital funding will revert back to the same level as set out in the 2018/19 Provisional Settlement and will then remain constant for the remainder of the period of this programme. General Capital Funding has therefore been assumed as £6.259m for 2020/21 which is made up of £2.846m General Capital Grant and £3.413m Supported Borrowing. The General Capital Funding for 2019/20 was £6.643m therefore there is an assumed reduction of £384k between years.

- 2.11** Appendix 2 sets out the Initial Proposals for the Capital Programme between 2020/21 and 2024/25 relating to this Committee.
- 2.12** The Council will look 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.
- 2.13** 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 2020/21. Cabinet will be advised once the announcement is made. An assumption has been made in Appendix 2 that the grant will continue at the same level as in the current year, which is £2.760m, in 2019/20 and throughout the period of the Capital Programme.
- 2.14** In addition to external funding, the Council will finance part of the Capital Programme from its own resources, e.g. capital receipts and reserves.
- 2.15** 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 2020/21 Capital Programme**

<b>GENERAL FUND</b>	<b>£'000</b>	<b>£'000</b>
<b>Welsh Government Resources</b>		
Supported Borrowing	3,413	
General Capital Grant	2,846	
<b>Total Welsh Government Resources</b>		<b>6,259</b>
<b>Council Resources</b>		
General Capital Receipts	2,978	
Reserves/Revenue	5,341	
City Deal Unsupported Borrowing	769	
Unsupported Borrowing	805	
<b>Total Council Resources</b>		<b>9,893</b>

## HOUSING REVENUE ACCOUNT

Housing Reserves/Revenue	5,808
Housing Unsupported Borrowing	12,308
<b>Total HRA Resources</b>	<b>18,116</b>
<b>Total Net Capital Resources</b>	<b>34,268</b>

### Capital Bids 2020/21 to 2024/25

- 2.16** New capital bids were invited for return by 27th September 2019 and the number of bids received were 41 (3 from Learning and Skills, 21 from Neighbourhood and Transport Services, 4 from Managing Director and Resources, 12 from Regeneration and Planning and 1 from Social Services). 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 Board for evaluation.
- 2.17** A number of criteria are used to assess the Capital Bids. The first criterion used is to classify the nature of the bids.
- 2.18** 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

**2.19** 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			

**2.20** 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

**2.21** The bids are also reviewed for the contribution that they make to the Wellbeing and Future Generations criteria as set out below;

- Long Term
- Integration
- Collaboration
- Prevention
- Involvement

**2.22** Each scheme is awarded one point for every one of the outcomes that it meets to a maximum of 5.

**2.23** In previous years, only those schemes assessed as corporate priority 1 or higher and medium risk or higher were included in the capital programme. In addition, successful bids had also contributed to at least three Wellbeing and Future Generations outcomes and should have had a scheme priority factor of either A/B/Ci/Cii/Ciii. Usually bids that did not meet these criteria were excluded from consideration.

**2.24** These bids have been considered by the Insight Board where it was agreed that, when agreeing the final programme, consideration should also be given to those schemes that meet the following criteria :

- Invest to save / Invest to earn;
- Address a reputational issue for the Council, and
- Support the Reshaping agenda for the Council.

**2.25** The value of capital bids received for the Council as a whole totalled £6.973m in 2020/21 and £20.473m over the 5 year period. While the evaluation process has been carried out this year for all capital bids in the normal manner, the settlement for 2020/21 has not been confirmed. It is therefore proposed that at this point, due to the uncertainty in the level of funding that will be provided, no schemes will be approved for inclusion in the Capital Programme and further assessment will be carried out by the Budget Working Group once the level of funding is known and consultation has taken place. There were no Capital Bids received for this Committee.

**2.26** There have been a number of changes approved by Cabinet since the final budget proposals 2019/20 to 2023/24 were approved in February 2019. These changes including capital sums carried forward have been included in Appendix 2.

### **Housing Improvement Plan**

**2.27** The 2019/20 Housing Improvement Programme budget currently totals £21.295m. It has been detailed earlier in the report that the budget is reduced by a net figure of £2.196m which is to be carried forward into 2020/21. The funding of the 2019/20 programme has been amended as set out in the table below: -

<b>Funding</b>	<b>Current 2019/20 £'000</b>	<b>Amended 2019/20 £'000</b>
Major Repairs Allowance Grant	2,759	2,760
CERA	7,185	8,816
Unsupported Borrowing	10,023	4,762
AHG Borrowing	1,328	1,621
HRA Capital Receipts	0	1,140
<b>Total</b>	<b>21,295</b>	<b>19,099</b>

## **Next Steps**

- 2.28** The next stage is for the estimates to be submitted to Scrutiny Committees for consultation. Each Scrutiny Committee will be asked to consider the Initial Capital Programme proposals as shown in Appendix 2 and to make any recommendations for changes. If changes are requested then the reasons need to be recorded in order to assist the Cabinet and the Budget Working Group 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 19th December 2019.
- 2.29** Managers will be asked to revisit the recommended schemes contained in the final proposals prior to presentation to Cabinet and to confirm final costs and spend profiles.
- 2.30** Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than the 3rd February 2020 and that Cabinet's final Capital Programme proposals will be considered by Council at a meeting to be held on 24th February 2020 to enable the Council Tax to be set by 11th March 2020.

## **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** The Capital Programme focuses capital investment to deliver the outcomes identified as part of the Corporate Plan. Some examples are :-
- **An Inclusive and Safe Vale** - Continued investment in housing through the Housing Improvement Programme to maintain the Welsh Housing Quality Standard and plans for new build and environment and regeneration programmes.



- 3.2** The setting and the monitoring of the Capital programme follows the Five Ways of Working.
- 3.3 Looking to the long term** - The development of the capital programme is a means of planning for the future and takes a strategic approach to ensure services are sustainable and that investments are affordable over the longer term and that future need and demand for services is understood.
- 3.4 Taking an integrated approach** – In setting the capital programme, working with partners is encouraged, as it allows the utilisation of funding from various sources, such as Welsh Government and S106 contributions, to deliver schemes.
- 3.5 Involving the population in decisions** – As part of the annual budget setting process there is engagement with residents, customers and partners. Prior to the implementation of certain capital schemes, consultation may also take place with the public which may in some cases be statutory.
- 3.6 Working in a collaborative way** – It recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future which includes providing funding to work with local communities.
- 3.7 Understanding the root cause of issues and preventing them** – The process for setting and monitoring the capital programme is proactive and allows an understanding of the financial and operational issues to be considered together so that issues can be tackled at the source.

## 4. Resources and Legal Considerations

### Financial

- 4.1** The net capital expenditure of the current programme for the Council as a whole, over the 5 years, is £132.7m. The effect on General Fund useable capital receipts will be as shown in the following table.

<b>Capital Receipts</b>	<b>General</b>
	<b>£'000</b>
<b>Anticipated Balance as at 1st April 2020</b>	<b>2,754</b>
Anticipated Requirements – 2020/21	-270
Anticipated Receipts – 2020/21	0

<b>Balance as at 31st March 2021</b>	<b>2,484</b>
Anticipated Requirements – 2021/22	-1,583
Anticipated Receipts – 2021/22	0
<b>Balance as at 31st March 2022</b>	<b>901</b>
Anticipated Requirements – 2022/23	0
Anticipated Receipts – 2022/23	0
<b>Balance as at 31st March 2023</b>	<b>901</b>
Anticipated Requirements – 2023/24	0
Anticipated Receipts – 2023/24	0
<b>Balance as at 31st March 2024</b>	<b>901</b>
Anticipated Requirements – 2024/25	0
Anticipated Receipts – 2024/25	0
<b>Balance as at 31st March 2025</b>	<b>901</b>

- 4.2** 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 2020/21 to 2024/25.

#### **Employment**

- 4.3** Some of the work included in the capital programme will be undertaken by Council staff and the relevant costs will be recharged to the capital scheme.

#### **Legal (Including Equalities)**

- 4.4** There are no legal implications.

### **5. Background Papers**

Bids received from departments

Correspondence received from the Welsh Government

## CAPITAL MONITORING

APPENDIX 1

FOR THE PERIOD ENDED 30TH SEPTEMBER 2019

PROFILE TO DATE	ACTUAL SPEND 2019/20		APPROVED PROGRAMME 2019/20	PROJECTED OUTTURN 2019/20	VARIANCE AT OUTTURN 2019/20	PROJECT SPONSOR	COMMENTS
£000	£000		£000	£000	£000		
		<b>Youth Offending Service</b>					
		<b>Slippage</b>					
0	0	91 Salisbury Road Boiler Renewal	2	2	0	R Evans	Fees to be paid.
0	0		2	2	0		
		<b>Housing Improvement Programme</b>					
354	354	HRA Internal Works	1,052	852	200	M Punter	Request to carry forward £200k as part of this report.
685	685	HRA External Works	4,039	3,459	580	M Punter	Request to carry forward £580k as part of this report.
5	5	Jenner Road	143	143	0	M Punter	Delivery of Jenner Road walls.
0	0	Williams Crescent	100	100	0	M Punter	Delivery of communal improvements.
2	2	Emergency Works	420	420	0	M Punter	The continuation of Glanmor Crescent and Camrose Court scheme plus other emergency works.
94	94	Aids and Adaptations	526	526	0	M Punter	Continuation of the adapted extension scheme.
582	582	Common Parts	2,205	1,602	603	M Punter	Request to carry forward £603k as part of this report.
352	352	Environmental Improvements	2,166	1,953	213	M Punter	Request to carry forward £213k as part of this report.
1,419	1,419	New Build	10,644	10,044	600	M Punter	Request to carry forward £600k as part of this report.
<b>3,493</b>	<b>3,493</b>		<b>21,295</b>	<b>19,099</b>	<b>2,196</b>		
		<b>Community Safety</b>					
		<b>Additional In Year Capital Funding</b>					
0	0	Upgrade of CCTV system	350	350	0	M Punter	First project board to take place 1st November. A report will go to Cabinet in December to update members.
0	0	Community Safety Improvements	30	30	0	M Punter	Quotes have been received.
0	0		<b>380</b>	<b>380</b>	<b>0</b>		
		<b>Private Housing</b>					
335	335	Disabled Facilities Grant	1,152	1,000	152	P Chappell	In the process of issuing grants. Request to slip £152k as part of this report.
0	0	Additional Disabled Facilities Grant	150	150	0	P Chappell	In the process of issuing grants.
23	23	Barry Island and Cosmeston Toilets	97	97	0	P Chappell	Cosmeston toilets are due to start on site in October. Works anticipated to take 3 months.
0	0	Penarth Renewal Area	6	6	0	P Chappell	Continuation of works
7	7	ENABLE Funding	161	161	0	P Chappell	Scheme on-going.
4	4	Housing Regeneration Area	496	496	0	P Chappell	Options being considered.
<b>369</b>	<b>369</b>		<b>2,062</b>	<b>1,910</b>	<b>152</b>		
<b>3,862</b>	<b>3,862</b>	<b>Committee Total 2019/20</b>	<b>23,739</b>	<b>21,391</b>	<b>2,348</b>		

Schemes	2020/21		2021/22		2022/23		2023/24		2024/25		Comments
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>HRA</b>											
<b>Housing Improvement Programme</b>	18,117	22,176	16,785	19,544	8,771	11,530	6,650	9,409	11,368	14,128	£2.196M Slippage requested into 2020/21
<b>Private Sector Housing</b>											
Disabled Facility Grants	1,152	1,152	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Additional Disabled Facility Grants	150	150	150	150	150	150	150	150	150	150	
<b>Total Private Sector Housing</b>	<b>1,302</b>	<b>1,302</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	<b>1,150</b>	
<b>Committee Total</b>	<b>19,419</b>	<b>23,478</b>	<b>17,935</b>	<b>20,694</b>	<b>9,921</b>	<b>12,680</b>	<b>7,800</b>	<b>10,559</b>	<b>12,518</b>	<b>15,278</b>	