

Matter which the Chairman has decided is urgent by reason of need to inform Cabinet of the Scrutiny Committees' responses to the initial budget proposals

Agenda Item No.

THE VALE OF GLAMORGAN COUNCIL

CABINET: 9TH JANUARY, 2017

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES
SCRUTINY COMMITTEE: 13TH DECEMBER, 2016

“ INITIAL CAPITAL PROGRAMME PROPOSALS 2017/18 (MD) -

Set out at Appendix 1 to the report were details of the progress on the Capital Programme as at 30th September, 2016. In addition, the report also addressed the following changes to the Programme:

St. Brides Expansion – An emergency power was approved on 17th October, 2016 to increase the budget to £510,000 in order for the scheme to proceed. This was funded from S106, and included £10,000 brought forward from 2017/18.

Victorian Schools – External consultants were being appointed to project manage this scheme with the aim of appointing contractors in March 2017 for works to start during Easter 2017. The project would be split between a number of contractors to ensure that the high priority repairs were completed as early as possible and all works were completed by March 2018. It had been requested that £1.2m be slipped from 2016/17 to 2017/18.

Director of Environment and Housing

The proposal to amend the funding for the 2016/17 Housing Improvement Programme was set out in paragraph 52 of the report and included the adjustments detailed below.

WHQS Externals – There had been delays in undertaking work this year due to difficulty in sourcing suitably skills labour, ecology issues such as nesting birds and bats and leaseholder issues. It was anticipated that work would be completed in the next financial year and it had been requested that £7.23m be carried forward into 2017/18.

Aids and Adaptions – There had been an increase in demand in this area and to cover required works it had been requested that the budget for 2016/17 be increased from £400,000 to £500,000.

Common Parts – As a result of the delay in undertaking the externals works, the start of works under this heading had been delayed as the external works needed to be

completed first. Work was now due to commence however it had been requested that £1.7m be carried forward into 2017/18.

Environmental Improvements – In a similar manner to the Common Parts work, the delay in external works had delayed the commencement of this scheme. Work would commence this year and a programme of works was being prepared for 2017/18. It had been requested that £400,000 be carried forward to 2017/18.

New Build – Proposals for new build schemes were being developed and work on site was due to commence prior to the end of this financial year however a full spend was not anticipated and it had been requested that £1.4m be carried forward into 2017/18 to allow schemes to be undertaken.

Ashpath Footpath Improvements – It had been requested that £73,000 be slipped from 2016/17 to 2017/18 as this scheme would not be completed in year due to ongoing land issues.

Managing Director and Resources

Maendy Pedestrian Sustainable Transport Improvement – It had been requested that £80,000 be slipped from 2016/17 to 2017/18 as scheme options were being considered and land availability was minimal.

Barry Regeneration Partnership – It had been requested that £29,000 be slipped from 2016/17 to 2017/18 as the fixed term post in the Economic Development Unit had not yet been filled, and was currently being advertised.

Lighting Scheme for Zig Zag Path – Due to a change in specification of lights, the columns cost less than the original proposal and therefore it had been requested that the balance of £37,000 be slipped into 2017/18 for general sustainable transport improvements in the area. It had been requested to rename the scheme Sustainable Transport Improvements Penarth Heights.

Regeneration Fund – A 2017/18 capital bid had been received relating to renovation works for the Vale Enterprise Centre. As the Regeneration Fund scheme was unallocated in the 2016/17 Capital Programme, it had been proposed that this funding was utilised to progress the renovations where possible during 2016/17, however, the budget may need to be reprofiled once a programme of works was finalised.

CASH Community Grants – As per the Cabinet report 25th July, 2016, CASH grants totalling £23,508 had been approved. The balance of £6,492 had been requested to be vired to a new Community Initiatives scheme in 2016/17.

All Services Asset Renewal – As this sum had not yet been allocated to specific schemes during 2016/17, it had been proposed that the funding of £484,000 was removed from the 2016/17 Capital Programme and reallocated to other schemes during the five year Capital Programme

Regulation 14 Workplace Health and Safety Glazing – The full budgeted sum of £50,000 was not required for safety glazing and it had been requested that the sum of £32,000 be removed from the 2016/17 Capital Programme and reallocated to other schemes during 2017/18.

The Welsh Government (WG) announced the provisional 2017/18 General Capital Funding, on 19th October, 2016. The 2017/18 Capital Settlement was a flatlined capital settlement which for the Vale of Glamorgan Council equated to General Capital Funding of £5.405m which was made up of £2.045m General Capital Grant and £3.360m Supported Borrowing.

There was no indication of the level of funding likely beyond 2017/18 and therefore in line with the approach adopted in the Medium Term Financial Plan the proposals assumed a reduction of 10% for each year of the Programme from 2018/19.

Appendix 2 to the report set out the Initial Proposals for the Capital Programme between 2017/18 and 2021/22.

The Council would seek to mitigate the projected deteriorating funding situation by looking to progress only those schemes which were deemed to be a key Corporate Priority and make a clear impact to the Wellbeing and Future Generation priorities. The Council would seek assurances that schemes included in the Capital Programme could be delivered on time and within budget.

The Major Repairs Allowance (MRA), which was the grant that provided capital funding to the Housing Revenue Account (HRA), had not yet been announced by the WG for 2017/18. Cabinet would be advised once the announcement was made. An assumption had been made in Appendix 2 that the grant would continue at the allocation reflected in the current business plan of £2.76m in 2017/18 and throughout the period of the Capital Programme.

In addition to external funding, the Council would finance part of the Capital Programme from its own resources, e.g. capital receipts and reserves.

The table below detailed the General Capital Funding and internal resources required to fund the proposed schemes which were set out Appendix 2.

Analysis of Net Funding Required for the Indicative 2017/18 Capital Programme		
GENERAL FUND	£'000	£'000
Welsh Government Resources		
Supported Borrowing	3,360	
General Capital Grant	2,045	
Total Welsh Government Resources		5,405
Council Resources		
General Capital Receipts	1,006	
Reserves/Leasing	7,142	
Total Council Resources		8,148

Net Capital Resources		13,553
HOUSING REVENUE ACCOUNT		
Housing Reserves	3,631	
Housing Unsupported Borrowing	12,473	
Net Capital Resources		16,104
Total Net Capital Resources		29,657

New capital bids were invited for return by 30th September, 2016 and the number of bids received was in line with previous years. Departments were requested to rank their own bids in order of importance before submission and bids from each Department were forwarded to the Insight Group for evaluation.

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, 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

Where bids were rated an A or B there would clearly be a legal obligation to ensure that works were progressed in a timely manner within the confines of the funding available. Schemes that represented an invest to save opportunity or support the achievement of corporate priorities should also be prioritised.

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 posed to the Council if they were not pursued. The risk assessment element was undertaken in line with the Council's Corporate Risk Management Strategy.

The bids were also reviewed for the contribution that they made to the Wellbeing and Future Generations criteria.

Only those schemes assessed as corporate priority 1 or higher and medium risk or higher were 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 and these bids were detailed in Appendix 3 with a reason for their exclusion.

The bids that have been funded are set out below with the proposed funding profile:

Successful Bids	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000
Street Lighting Replacement (includes £50,000 from Visible Services Asset Renewal)	0	100	100	0	200
Murchfield Access Bridge	0	44	0	0	44
Dinas Powys Library Road Bridge	0	97	0	0	97
Leisure Works - Capital Bids	0	758	0	0	758
Nell's Point Former Toilet Block (includes £100,000 from Barry Regeneration Partnership)	0	255	0	0	255
Housing Regeneration Area	0	150	300	300	750
Vale Enterprise Centre Renovations	100	0	0	0	100
Total	100	1,404	400	300	2,204

It was proposed that the existing Regeneration scheme was utilised to fund the bids for schemes that make a contribution to the regeneration of the Vale of Glamorgan. The Vale Enterprise Centre Renovations should be progressed where possible during 2016/17 as set out in paragraph 16 to the report. In addition, it was proposed that £100,000 of the Barry Regeneration Partnership funding be utilised towards the Nell's Point Toilet block scheme in 2017/18.

Further to the £50,000 allocation for the maintenance of street lighting columns that had been awarded in 2017/18 and 2018/19, it was proposed that £50,000 of the Visible Services Asset Renewal be ring-fenced for these purposes.

The changes detailed above had been reflected in Appendix 2.

The 21st Century Schools Programme was the WG's funding initiative for investment in schools. The first tranche of schemes under Band A of the funding were submitted prior to November 2011. Band A schemes run between 2013/14 and 2018/19. Band B schemes were expected to commence in 2019/20.

The schemes included under the Band A submission for construction between 2013/14 and 2018/19 were: Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield, Colcot and Llantwit Learning Community. The Ysgol Nant Talwg, Ysgol Dewi Sant, Ysgol Gwaun Y Nant and Oakfield schemes were now complete and Llantwit Learning Community was on track to complete in September, 2018.

In October, 2016 the Vale of Glamorgan Council received notification from WG that the funding envelope for 21st Century Schools would in principle be increased from £30.848m to £32.048m pending the receipt of a satisfactory business case. This included funding for a new Band A scheme Romilly Primary permanent structure a scheme which was expected to cost £1.2m, funded by £600,000 WG Grant and £600,000 contribution from the School Investment Strategy Reserve.

Band B Schemes were expected to commence in 2019/20 and in December 2014 the Council submitted proposals for a number of schemes to WG. Based on latest indications, it had been assumed that 50% funding would be available from WG to fund these schemes. However, there was no guarantee that this funding would be available from WG or what form it would take.

During 2016/17 reports were taken to Cabinet regarding two key schemes to be progressed under Band B

- Proposal to establish new Mixed Sex Secondary Schools in Barry – estimated cost £44m.
- Proposal to Increase Welsh Medium Secondary School Places – estimated cost £19.3m.

Given the extremely high level of Council funding committed to these schemes any other proposals progressed as part of Band B would need to be fully funded by Capital Receipts, S106 and WG funding. If WG funding was not available at 50%, the scale of these schemes would need to be reviewed by the Council.

It was proposed that the Band B schemes were funded as follows:

Band B Scheme	WG Grant	S106	GCF	Capital Receipts	Cont. from Reserves	Unsupp Borrowing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Welsh Medium Secondary	9,650	1,037	2,598	514	3,501	2,000	19,300
Mixed Sex Secondary School	22,000	986	1,036	11,685	8,293	-	44,000

The level of funding committed to Band B from 2019/20 had necessitated a reduction in Education Asset Renewal to £600,000 from 2019/20 to provide funding for the Band B schemes.

In 2016/17 a sum of £1.2m was set aside towards medium schemes for schools. £600,000 of this sum had been allocated to the Romilly scheme referred to in paragraph 42 of the report, the balance of this funding was unallocated and a further report would be brought to Cabinet detailing the proposals for this sum.

The planned spend on the Education Capital Programme from 2017/18 to 2021/22 incorporating expenditure under Band A and Band B schemes funded under 21st Century Schools Programme. Gross Expenditure totalled £75.772m.

By Scheme	17/18	18/19	19/20	20/21	21/22	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Band A Llantwit Major Learning Community	1,240	29	0	0	0	1,269
Band A Colcot Primary	125	0	0	0	0	125

Band A Romilly Primary	1,200	0	0	0	0	1,200
Medium Schools Projects to be allocated	600	0	0	0	0	600
Eagleswell Marketing and Disposal	5	0	0	0	0	5
Schools Asset Renewal / Other	600	600	600	600	600	3,000
Additional Schools Asset Renewal	400	400	0	0	0	800
Education Asset Renewal – contingency	50	50	0	0	0	100
Rhose Primary New School	1,500	1,762	0	0	0	3,262
Victorian Schools	2,000	0	0	0	0	2,000
Gwenfo Primary Expansion	11	0	0	0	0	11
Band B Welsh Medium	0	250	5,650	10,500	2,600	19,000
Band B Co Ed	0	500	12,900	24,000	6,000	43,400
Schools IT Loans	200	200	200	200	200	1,000
Total	7,931	3,791	19,350	35,300	9,400	75,772

The total cost for Band B schemes was projected to be £63.3m (£31.650m WG Funding), however of this total £62.4m related to costs up to and including 2021/22. The Education Capital Programme was funded as follows:

	17/18	18/19	19/20	20/21	21/22	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Capital Funding/General Capital Receipts	3,605	1,785	2,354	2,200	1,147	11,091
Education Capital Receipts	0	0	3,764	7,824	0	11,588
Other Reserves and Revenue Contribution	0	0	2,428	1,543	0	3,971
School Investment Reserve	1,390	444	954	2,260	3,753	8,801
IT Fund	200	200	200	200	200	1,000
Prudential Borrowing	0	0	0	2,000	0	2,000
Total Internal Funding	5,195	2,429	9,700	16,027	5,100	38,451
S106 Agreements	1,011	1,362	0	2,023	0	4,396
Welsh Government Grant	1,725	0	9,650	17,250	4,300	32,925
Total Funding	7,931	3,791	19,350	35,300	9,400	75,772

The 2016/17 Housing Improvement Programme budget currently totalled £34.147m. It had been requested above that £10.73m be carried forward into 2017/18. The amended programme also reflected the £100,000 increase in the Aids and Adaptations budget. The funding of the 2016/17 programme had therefore been amended as set out in the table below: -

Funding	Current 2016/17 £'000	Amended 2016/17 £'000
Major Repairs Allowance Grant	2,770	2,770
Other Grant	251	251
Housing Capital Receipt	0	0
Housing Reserves	2,931	6,231
Unsupported Borrowing	28,195	14,265
Total	34,147	23,517

As in the case of the consideration of the Initial Revenue Budget Proposals, similar arrangements were in place for the Scrutiny Committees to pass their comments this Scrutiny Committee who would, on behalf of the other Council's Scrutiny Committees, form the response to Cabinet by no later than 13th December, 2016. Each of the Council's Scrutiny Committees had been previously asked during their consideration of the Council's Initial Budget Proposals to first consider the Initial Capital Programme Proposals as shown in Appendix 2 to the respective reports presented to those Committees and to make any recommendations for changes. If they wished to make a change, the reason for this need was required to be recorded in order to assist the Cabinet and Budget Working Group in drawing up the Council's final budget proposals.

Managers would 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 in early 2017. The Cabinet's final Capital Programme Budget Proposals would be considered by the Council no later than 11th March, 2017.

If the schemes proposed in Appendix 2 were approved, the effect on the General Fund usable receipts was as follows:

Capital Receipts	General £000's	Ringfenced Social Services £000's	Ringfenced Education £000's
Anticipated Balance as at 1 st April 2017	2,343	1,327	1,299
Anticipated Requirements – 2017/18	(1,006)	0	0
Anticipated Receipts – 2017/18	0	0	0
Balance as at 31 st March 2018	1,337	1,327	1,299
Anticipated Requirements – 2018/19	0	(1,327)	0
Anticipated Receipts – 2018/19	0	0	8,414
Balance as at 31 st March 2019	1,337	0	9,713
Anticipated Requirements – 2019/20	(405)	0	(3,764)
Anticipated Receipts – 2019/20	0	0	1,875
Balance as at 31 st March 2020	932	0	7,824

Anticipated Requirements – 2020/21	(659)	0	(7,824)
Anticipated Receipts – 2020/21	0	0	0
Balance as at 31 st March 2021	273	0	0
Anticipated Requirements – 2021/22	0	0	0
Anticipated Receipts – 2021/22	0	0	0
Balance as at 31 st March 2022	273	0	0
Anticipated Requirements – 2022/23	0	0	0
Anticipated Receipts – 2022/23	0	0	0
Balance as at 31 st March 2023	273	0	0

The Education Capital Programme utilised general capital receipts in addition to capital receipts ringfenced for Education.

The capital receipt balance for Social Services had been ringfenced for Social Services capital expenditure. Options were being explored by the Council however, it had been assumed that the full capital receipt of £1.327m would be utilised for older persons' accommodation in 2018/19.

In line with the overall strategy and specific suggestions proposed by the BWG, in order to resource the Capital Programme, reserves would be utilised over the period of the Capital Programme 2017/18 to 2021/22.

The Project Fund would 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 was:

Project Fund	£'000
Anticipated Balance as at 1 st April 2017	2,749
Anticipated Requirements – 2017/18	(530)
Anticipated Receipts – 2017/18	0
Balance as at 31 st March 2018	2,219
Anticipated Requirements – 2018/19	0
Anticipated Receipts – 2018/19	0
Balance as at 31 st March 2019	2,219
Anticipated Requirements – 2019/20	0
Anticipated Receipts – 2019/20	0
Balance as at 31 st March 2020	2,219
Anticipated Requirements – 2020/21	(212)
Anticipated Receipts – 2020/21	0
Balance as at 31 st March 2021	2,007

Anticipated Requirements – 2021/22	0
Anticipated Receipts – 2021/22	0
Balance as at 31 st March 2022	2,007

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

Having fully considered the report, and in light of the Council's budget situation, it was subsequently

RECOMMENDED –

(1) T H A T the Initial Capital Budget Proposals for 2017/18 be endorsed and Cabinet informed accordingly.

(2) T H A T the following changes to the 2016/17 and 2017/18 Capital Programme as outlined below be noted:

- St. Brides Expansion – An emergency power was approved on 17th October, 2016 to increase the 2016/17 budget to £510,000.
- Victorian Schools – The carry forward of £1.2m from 2016/17 to 2017/18.
- Housing Improvement Programme – The carry forward of £10.730m from 2016/17 to 2017/18 for WHQS Externals (£7.23m), Common Parts (£1.7m), Environmental Improvements (£400,000) and New Build (£1.4m).
- Housing Improvement Programme – To increase the Capital Programme in 2016/17 by £100,000 to fund increased demand for aids and adaptations.
- Ashpath Footpath Improvements – The carry forward of £73,000 from 2016/17 to 2017/18
- Maendy Pedestrian Sustainable Transport Improvement – The carry forward of £80,000 from 2016/17 to 2017/18.
- Barry Regeneration Partnership – The carry forward of £29,000 from 2016/17 to 2017/18.
- Lighting Scheme for Zig Zag Path – The carry forward of £37,000 from 2016/17 to 2017/18 and to change the scheme description to Sustainable Transport Improvements Penarth Heights.
- Regeneration Fund – The £100,000 is utilised to progress works at the Vale Enterprise Centre during 2016/17 and the scheme is renamed accordingly.
- CASH Community Grants – The virement of £6,492 to a new Community Initiatives scheme in 2016/17.
- All Services Asset Renewal – That £484,000 is unallocated in 2016/17 to allow the funding to be utilised for other schemes during the five year Capital Programme.
- Regulation 14 Workplace Health and Safety Glazing – That the sum of £32,000 is unallocated in 2016/17 to allow the funding to be utilised for other schemes during 2017/18.

Reasons for recommendations

- (1) In acknowledgement of Cabinet's consultation on the future Capital Programmes.
- (2) In acknowledgement of the current position with regard to the 2016/17 and 2017/18 Capital Programmes."