

## **The Vale of Glamorgan Council**

### **Homes and Safe Communities Scrutiny Committee: 7th December 2016**

### **Report of the Director of Environment and Housing**

### **Initial Capital Programme Proposals 2017/18**

#### **Purpose of the Report**

1. To provide an update on the progress of the Capital Programme for 2016/17 and to submit for consultation the initial capital proposals for 2017/18.

#### **Recommendations**

It is recommended that :-

1. Committee note the progress relating to the 2016/17 Capital Programme.
2. Scrutiny Committee consider the 2017/18 initial capital budget proposals and forward its recommendations to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee.

#### **Reasons for the Recommendations**

1. To ensure that Members are aware of the position with regards the 2016/17 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 2017/18 Capital Programme.

#### **Relevant Issues and Options**

##### **2016/17 Capital Programme**

2. Appendix 1 details financial progress on the Capital Programme as at 30<sup>th</sup> September 2016.
3. The changes detailed below have been reflected in Appendix 2.
4. WHQS Externals - There have 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 is anticipated that work will be completed in the next financial year and it has therefore been requested that £7.23m is carried forward into 2017/18.

5. Aids and Adaptions - There has been an increase in demand in this area and to cover required works it has been requested that the budget for 2016/17 is increased from £400k to £500k.
6. Common Parts - As a result of the delay in undertaking the external works, the start of works under this heading have been delayed as the external works need to be completed first. Work is now due to commence however it has been requested that £1.7m is carried forward into 2017/18.
7. Environmental Improvements - In a similar manner to the Common Parts work, the delay in external works has delayed the commencement of this scheme. Work will commence this year and a programme of works is being prepared for 2017/18. It has been requested that £400k is carried forward to 2017/18.
8. New Build - Proposals for new build schemes are being developed and work on site is due to commence prior to the end of this financial year however a full spend is not anticipated and it has been requested that £1.4m is carried forward into 2017/18 to allow schemes to be undertaken.

### **2017/18 to 2021/22 Capital Programme**

9. The Welsh Government (WG) announced the provisional 2017/18 General Capital Funding, on 19<sup>th</sup> October 2016. The 2017/18 Capital Settlement is a flatlined capital settlement which for the Vale of Glamorgan Council equates to General Capital Funding of £5.405m which is made up of £2.045m General Capital Grant and £3.360m Supported Borrowing.
10. There is 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 assume a reduction of 10% for each year of the programme from 2018/19.
11. Appendix 2 sets out the Initial Proposals for the Capital Programme between 2017/18 and 2021/22 for schemes relating to this Committee.
12. 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.
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 2017/18. Cabinet will be advised once the announcement is made. An assumption has been made in Appendix 2 that the grant will continue at the allocation reflected in the current business plan of £2.76m in 2017/18 and throughout the period of the Capital Programme.
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.
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 2017/18 Capital Programme

<b>GENERAL FUND</b>	<b>£'000</b>	<b>£'000</b>
<b>Welsh Government Resources</b>		
Supported Borrowing	3,360	
General Capital Grant	2,045	
<b>Total Welsh Government Resources</b>		<b>5,405</b>
<b>Council Resources</b>		
General Capital Receipts	1,006	
Reserves/Leasing	7,142	
<b>Total Council Resources</b>		<b>8,148</b>
<b>Net Capital Resources</b>		<b>13,553</b>
<b>HOUSING REVENUE ACCOUNT</b>		
Housing Reserves	3,631	
Housing Unsupported Borrowing	12,473	
<b>Net Capital Resources</b>		<b>16,104</b>
<b>Total Net Capital Resources</b>		<b>29,657</b>

### Capital Bids 2017/18 to 2021/22

16. New capital bids were invited for return by 30<sup>th</sup> September 2016 and the number of bids received was in line with previous years since the 5 year Capital Programme was introduced (2 from Learning and Skills, 11 from Environment and Housing and 3 from Managing Director and Resources) in addition a joint bid was submitted from Housing and Planning. 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.
17. 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

18. Where bids are rated an A or B on the above criteria 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.
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			

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

21. 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.
22. Each scheme was awarded one point for every one of the outcomes that it met to a maximum of 5.

23. 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. There were no such bids for this Committee.
24. The following table sets out the bid that has been proposed to be funded for this Committee.

<b>Successful Bids</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing Regeneration Area	150	300	300	750

25. The Initial Revenue Budget Proposals report, presented to Cabinet on 14<sup>th</sup> November 2016, projected that the outturn for the Policy budget in 2016/17 would be a favourable variance of £4m. It proposed that £3m should be transferred into the Visible Services reserve and part of this funding related to a joint bid submitted by the Housing and Development Services departments, for an amount of £1.927m, to fund the Gypsy / Traveller site scheme. However, Cabinet on 14<sup>th</sup> November 2016, minute number C3362 stated that transferring of money into the Visible Services Reserve was considered to be premature, given the context of the budget and therefore recommended "That the sum of £4 million be set aside to the General Fund and consideration be given for that allocation to be used to offset the shortfall in the revenue budget and/or used for capital schemes, the details of which will be considered by the budget working group before the final revenue proposals are presented to Cabinet and Council for approval". Minute C3363 which relates to the Initial Capital Programme Proposals report stated that the schemes which were proposed to be funded from the £3m should be reduced accordingly and resolved "That the Initial Capital Programme Proposals for 2017/18 to 2021/22, as amended by reason of resolution (2) of the Initial Revenue Budget Proposals 2017/18 report, be approved for consultation with the relevant Scrutiny Committees". Appendix 2 attached to this report has therefore been updated to reflect this change.

### **Housing Improvement Plan**

26. The 2016/17 Housing Improvement Programme budget currently totals £34.147m. It has been requested above that £10.73m is carried forward into 2017/18. The amended programme also reflects the £100k increase in the Aids and Adaptations budget. The funding of the 2016/17 programme has therefore been amended as set out in the table below: -

<b>Funding</b>	<b>Current 2016/17 £'000</b>	<b>Amended 2016/17 £'000</b>
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
<b>Total</b>	<b>34,147</b>	<b>23,517</b>

## **Next Steps**

27. 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 they wish to make a change, 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 Committee must be made no later than the 13<sup>th</sup> December 2016.
28. 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.
29. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than the 20<sup>th</sup> February 2017 and that Cabinet's final Capital Programme proposals will be considered by Council at a meeting to be held on 1<sup>st</sup> March 2017 to enable the Council Tax to be set by 11<sup>th</sup> March 2017.

## **Resource Implications (Financial and Employment)**

30. The total net capital expenditure of the proposed programme in Appendix 2, over the 5 years, is approximately £98.628m.
31. If all proposed schemes for the Council as a whole are approved, the effect on General Fund useable capital receipts will be as shown in the following table.

<b>Capital Receipts</b>	<b>General</b>	<b>Ringfenced Social Services</b>	<b>Ringfenced Education</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Anticipated Balance as at 1<sup>st</sup> April 2017</b>	<b>2,343</b>	<b>1,327</b>	<b>1,299</b>
Anticipated Requirements – 2017/18	(1,006)	0	0
Anticipated Receipts – 2017/18	0	0	0
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>1,337</b>	<b>1,327</b>	<b>1,299</b>
Anticipated Requirements – 2018/19	0	(1,327)	0
Anticipated Receipts – 2018/19	0	0	8,414
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>1,337</b>	<b>0</b>	<b>9,713</b>
Anticipated Requirements – 2019/20	(405)	0	(3,764)
Anticipated Receipts – 2019/20	0	0	1,875
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>932</b>	<b>0</b>	<b>7,824</b>
Anticipated Requirements – 2020/21	(659)	0	(7,824)
Anticipated Receipts – 2020/21	0	0	0
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>273</b>	<b>0</b>	<b>0</b>
Anticipated Requirements – 2021/22	0	0	0
Anticipated Receipts – 2021/22	0	0	0
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>273</b>	<b>0</b>	<b>0</b>
Anticipated Requirements – 2022/23	0	0	0
Anticipated Receipts – 2022/23	0	0	0
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>273</b>	<b>0</b>	<b>0</b>

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

33. 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.

<b>Project Fund</b>	<b>£'000</b>
<b>Anticipated Balance as at 1<sup>st</sup> April 2017</b>	<b>2,749</b>
Anticipated Requirements – 2017/18	(530)
Anticipated Receipts – 2017/18	0
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>2,219</b>
Anticipated Requirements – 2018/19	0
Anticipated Receipts – 2018/19	0
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>2,219</b>
Anticipated Requirements – 2019/20	0
Anticipated Receipts – 2019/20	0
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>2,219</b>
Anticipated Requirements – 2020/21	(212)
Anticipated Receipts – 2020/21	0
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>2,007</b>
Anticipated Requirements – 2021/22	0
Anticipated Receipts – 2021/22	0
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>2,007</b>

34. 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**

35. 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.
36. 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)**

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

### **Crime and Disorder Implications**

38. 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)**

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

## **Corporate/Service Objectives**

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

## **Policy Framework and Budget**

41. This report follows the procedure laid down in the constitution for the making of the budget. The 2017/18 budget proposals will require the approval of Council. The proposals for amendments to the 2016/17 Capital Programme are the responsibility of Cabinet.

## **Consultation (including Ward Member Consultation)**

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

## **Relevant Scrutiny Committee**

43. 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, Director of Environment and Housing

CAPITAL MONITORING  
FOR THE PERIOD ENDED 30th SEPTEMBER 2016

APPENDIX 1

PROFILE TO DATE £000	ACTUAL SPEND 2016/17 £000		APPROVED PROGRAMME 2016/17 £000	PROJECTED OUTTURN 2016/17 £000	VARIANCE AT OUTTURN 2016/17 £000	PROJECT SPONSOR	COMMENTS
		<b>Housing Improvement Programme</b>					
125	125	WHQS Internals	3,127	3,127	0	M Punter	Completion of scheme from previous years and in process of finalising accounts
3,959	3,959	WHQS Externals	19,294	12,064	7,230	M Punter	There have been delays in completing works. Slippage of £7.23m requested
41	41	Jenner Road	920	920	0	M Punter	Currently on site
0	0	Clive Place	113	113	0	M Punter	Work due for completion in February 2017
41	41	St Lukes	1,059	1,059	0	M Punter	Work due for completion in February 2017
81	81	St Pauls	457	457	0	M Punter	Works now complete finalising accounts
140	140	Williams Crescent	1,354	1,354	0	M Punter	Work due for completion in March 2017
0	0	Emergency Works	550	550	0	M Punter	In process of delivering works as required
115	115	Aids and Adaptations	400	500	(100)	M Punter	Additional works identified
0	0	Regeneration	245	245	0	M Punter	Tenders received and work due to commence shortly.
1	1	Common Parts	3,200	1,500	1,700	M Punter	Commencing fire safety works. Slippage of £1.7m requested
37	37	WHQS Environmental Improvements	1,027	627	400	M Punter	Schemes are now commencing. Slippage of £400k requested
72	72	General Improvements	100	100	0	M Punter	In process of delivering works
250	250	Gibbonsdown Project	250	250	0	M Punter	Scheme complete
0	0	New Build	1,800	400	1,400	M Punter	In process of developing scheme. Slippage of £1.4m requested
0	0	Digital Highway in Sheltered Accommodation	32	32	0	M Punter	
1	1	ICF - Longmeadow Court Reablement Units	219	219	0	M Punter	Scheme to be funded from ICF
<b>4,863</b>	<b>4,863</b>	<b>Total Housing Services</b>	<b>34,147</b>	<b>23,517</b>	<b>10,630</b>		
		<b>Private Housing</b>					
651	651	Disabled Facilities Grant	1,300	1,300	0	B Guy	In the process of issuing grants
338	338	Castleland Renewal Area	1,744	1,744	0	B Guy	Part Welsh Government funded scheme
9	9	Penarth Renewal Area	205	205	0	B Guy	Part Welsh Government funded scheme
<b>998</b>	<b>998</b>	<b>Total Private Housing</b>	<b>3,249</b>	<b>3,249</b>	<b>0</b>		
<b>5,861</b>	<b>5,861</b>	<b>COMMITTEE TOTAL</b>	<b>37,396</b>	<b>26,766</b>	<b>10,630</b>		

Schemes	2017/18		2018/19		2019/20		2020/21		2021/22		Comments
	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>HRA</b>											
Housing Improvement Programme	16,104	18,864	7,916	10,676	5,509	8,269	5,605	8,365	0	0	
<b>Total HRA</b>	<b>16,104</b>	<b>18,864</b>	<b>7,916</b>	<b>10,676</b>	<b>5,509</b>	<b>8,269</b>	<b>5,605</b>	<b>8,365</b>	<b>0</b>	<b>0</b>	
<b>Council Fund Housing</b>											
Gypsy Traveller Site	0	0	0	0	0	0	0	0	0	0	Amended by Cabinet 14th November 2016
<b>Total Council Fund Housing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Private Sector Housing</b>											
Disabled Facility Grants	1,350	1,350	900	900	900	900	900	900	900	900	
<b>Capital Bids</b>											
Housing Regeneration Area	150	150	300	300	300	300	0	0	0	0	Bid allocated as part of Initial Proposals
<b>Total Private Sector Housing</b>	<b>1,500</b>	<b>1,500</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>1,200</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>	
<b>COMMITTEE TOTAL</b>	<b>17,604</b>	<b>20,364</b>	<b>9,116</b>	<b>11,876</b>	<b>6,709</b>	<b>9,469</b>	<b>6,505</b>	<b>9,265</b>	<b>900</b>	<b>900</b>	