

The Vale of Glamorgan Council

Homes and Safe Communities Scrutiny Committee : 5th December 2018

Report of the Director of Environment and Housing

Initial Capital Programme Proposals 2019/20 to 2023/24 and Capital Monitoring 2018/19

Purpose of the Report

1. To provide an update on the progress of the Capital Programme for 2018/19 and to submit for consultation the initial capital proposals for 2019/20.

Recommendations

It is recommended:-

1. Committee note the changes to the 2018/19 Capital Programme.
2. Scrutiny Committee consider the 2019/20 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 2018/19 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 2019/20 Capital Programme.

Relevant Issues and Options

2018/19 Capital Programme

2. Appendix 1 details financial progress on the Capital Programme as at 30th September 2018.
3. Any changes detailed below that relate to 2019/20 onwards have been reflected in Appendix 2.
4. The proposals to amend the funding for the 2018/19 Housing Improvement Programme held within the Housing Revenue Account (HRA) are set out later in this report and includes those amendments listed below.

5. HRA Internal Works – Following the completion of Welsh Housing Quality Standards (WHQS), work has been undertaken to survey HRA properties to establish what works are required to maintain the standard. Around half of the properties have been surveyed and the level of work identified is currently less than anticipated. It has therefore been requested that this budget is reduced by £1.55m in 2018/19. Budgets will be re-profiled for the final capital proposals following the preparation of the 2019/20 Housing Business Plan.
6. HRA Common Parts – Work is on-going in relation to the communal area upgrades within HRA flats, however, a combination of delays have slowed delivery of the various schemes. It has therefore been requested that the 2018/19 budget is reduced by £1.5m. As above, the budgets will be re-profiled following the preparation of the 2019/20 Housing Business Plan.
7. HRA Environmental Improvements – Work is on-going to the Buttrills scheme and other environmental priorities will be identified following the preparation of the 2019/20 Housing Business Plan. It has therefore been requested that the 2018/19 budget is reduced by £556k.
8. HRA New Build – There have been various delays relating to the Holm View and Brecon Court schemes which have meant that the works will continue into 2019/20. It has therefore been requested that £3.1m is carried forward into the 2019/20 Capital Programme.
9. ICF Penarth Older Persons Village - A successful ICF bid has been approved to provide funding for a scoping exercise to potentially develop accommodation with care for older people. It has therefore been requested that £100k is included in the Capital Programme for 2018/19.
10. Sully Affordable Housing - A delegated authority has been approved to include a new scheme of £150k into the capital programme to be funded by S106 monies. The proposed scheme seeks to support Newydd Housing Association to purchase a property in Sully by paying 58% of the purchase price of the property and 58% of the total works required to upgrade the property to WHQS.
11. Disabled Facilities Grant - During the first 6 months of this financial year, the demand for Disabled Facilities Grants (DFG) has reduced. As a consequence, at 6 months the spend against this budget is behind profile. Based on cases in the system and the current client list, it is anticipated there could be up to a £200k underspend on the DFG capital budget. It is not clear at this time if this reduction in demand is a permanent change in demand or as a result of a pilot project Social Services are funding in assessing incoming cases. However, a need has been identified to adapt two disabled public toilets with a hoist, changing/ shower facilities on Barry Island and Cosmeston Lake at a total cost of £100k. These facilities will enable families/ carers of disabled people with severe disabilities to access suitable adapted toilet/ changing facilities when going out. Providing these two facilities will support the individuals and families wellbeing, support the Vale's Wellbeing outcomes 'An Active and Healthy Vale' and 'An Inclusive and Safe Vale'. These facilities will also promote these two key tourism sites to these families, carers and individual and support the Council's Destination Management Plan. In addition it enables the Council to detail these facilities in the Local Toilet Strategy the Welsh Government are seeking local authorities to write and publish to secure improved access to public toilets. It has therefore been requested to vire £100k from Disabled Facilities Grant to a new scheme called Barry Island and Cosmeston Toilets in the 2018/19 Capital Programme.

2019/20 to 2023/24 Capital Programme

12. The Welsh Government (WG) announced the provisional 2019/20 General Capital Funding, on 9th October 2018. The 2019/20 Capital Settlement is a flat lined capital settlement which for the Vale of Glamorgan Council equates to General Capital Funding of £5.489m which is made up of £2.077m General Capital Grant and £3.412m Supported Borrowing. The General Capital Funding for 2018/19 was £5.505m therefore there is a reduction of £16k between years.
13. There is no indication as to the level of funding likely beyond 2019/20 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 after 2019/20.
14. Appendix 2 sets out the Initial Proposals for the Capital Programme between 2019/20 and 2023/24 for this Committee.
15. 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.
16. The Major Repairs Allowance (MRA), which is the grant that provides capital funding to the HRA, has not yet been announced by the Welsh Government for 2019/20. 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 £2.759m, in 2019/20 and throughout the period of the Capital Programme.
17. In addition to external funding, the Council will finance part of the Capital Programme from its own resources, e.g. capital receipts and reserves.
18. 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 2019/20 Capital Programme

| GENERAL FUND | £'000 | £'000 |
|---|--------------|---------------|
| Welsh Government Resources | | |
| Supported Borrowing | 3,412 | |
| General Capital Grant | 2,077 | |
| Total Welsh Government Resources | | 5,489 |
| Council Resources | | |
| General Capital Receipts | 1,864 | |
| Reserves/Revenue | 8,251 | |
| City Deal Unsupported Borrowing | 436 | |
| Total Council Resources | | 10,551 |

HOUSING REVENUE ACCOUNT

| | | |
|------------------------------------|-------|---------------|
| Housing Reserves/Revenue | 5,262 | |
| Housing Unsupported Borrowing | 9,316 | |
| Total HRA Resources | | 14,578 |
| Total Net Capital Resources | | 30,618 |

Capital Bids 2019/20 to 2023/24

19. New capital bids were invited for return by 28th September 2018 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, 11 from Environment and Housing and 7 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 Board for evaluation.
20. A number of criteria are used to assess the Capital Bids. The first criterion used is to classify the nature of the bids.
21. 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 |

22. 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 | | | | |

23. 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 |

24. 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

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

26. 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.

27. The value of capital bids received for the Council as a whole totalled £5.096m in 2019/20 and £19.116m over the 5 year period. While the evaluation process has been carried out this year for all capital bids in the normal manner, the difference between the GCF previously projected for 2019/20, when the 5 year programme was

set for 2018/19, compared to the actual GCF for 2019/20 is an increase of £259k. Any increase in the 5 year programme over and above £259k will require further use of reserves or capital receipts. It is therefore proposed that at this point, due to the low level of funding available, that the £259k is not allocated to a particular scheme but is held on the All Services Asset Renewal budget line. It will be allocated by the Budget Working Group as part of the final budget setting process once the final settlement figures are received and the full impact on reserves and capital receipts can be assessed. No new capital bids were received for the services that fall under this Committee.

28. There have been a number of changes approved by Cabinet since the final budget proposals 2018/19 to 2022/23 were approved in February 2018. These changes including capital sums carried forward have been included in Appendix 2.

Housing Improvement Plan

29. The 2018/19 Housing Improvement Programme budget currently totals £21.506m. It has been requested earlier in the report that the budget is reduced by a net figure of £6.606m, £3.1m of which is to be carried forward into 2019/20. The funding of the 2018/19 programme has been amended as set out in the table below: -

| Funding | Current 2018/19 £'000 | Amended 2018/19 £'000 |
|-------------------------------|----------------------------------|----------------------------------|
| Major Repairs Allowance Grant | 2,779 | 2,759 |
| Other Grant | 0 | 100 |
| CERA | 4,585 | 6,818 |
| Unsupported Borrowing | 14,142 | 4,321 |
| HRA Capital Receipts | 0 | 902 |
| Total | 21,506 | 14,900 |

Next Steps

30. 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 reasons for these changes need 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 13th December 2018.
31. 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.

32. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than the 18th February 2019 and that Cabinet's final Capital Programme proposals will be considered by Council at a meeting to be held on 27th February 2019 to enable the Council Tax to be set by 11th March 2019.

Resource Implications (Financial and Employment)

33. The total net capital expenditure of the proposed programme for the Council as a whole over the 5 years totals £131.422m. The effect on General Fund useable capital receipts will be as shown in the following table.

| Capital Receipts | General |
|---|----------------|
| | £'000 |
| Anticipated Balance as at 1st April 2019 | 4,516 |
| Anticipated Requirements – 2019/20 | -1,864 |
| Anticipated Receipts – 2019/20 | 338 |
| Balance as at 31st March 2020 | 2,990 |
| Anticipated Requirements – 2020/21 | -1,550 |
| Anticipated Receipts – 2020/21 | 1,659 |
| Balance as at 31st March 2021 | 3,099 |
| Anticipated Requirements – 2021/22 | -131 |
| Anticipated Receipts – 2021/22 | 144 |
| Balance as at 31st March 2022 | 3,112 |
| Anticipated Requirements – 2022/23 | 0 |
| Anticipated Receipts – 2022/23 | 0 |
| Balance as at 31st March 2023 | 3,112 |
| Anticipated Requirements – 2023/24 | 0 |
| Anticipated Receipts – 2023/24 | 0 |
| Balance as at 31st March 2024 | 3,112 |

34. 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 2019/20 to 2023/24.

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 Board, 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 2019/20 budget proposals will require the approval of Council. The proposals for amendments to the 2018/19 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

Responsible Officer:

Miles Punter
Director of Environment and Housing

| PROFILE TO DATE | ACTUAL SPEND 2018/19 | | APPROVED PROGRAMME 2018/19 | PROJECTED OUTTURN 2018/19 | VARIANCE AT OUTTURN 2018/19 | PROJECT SPONSOR | COMMENTS |
|-----------------|----------------------|--|----------------------------|---------------------------|-----------------------------|-----------------|--|
| £000 | £000 | | £000 | £000 | £000 | | |
| | | Youth Offending Service | | | | | |
| 0 | 0 | 91 Salisbury Road Boiler Renewal | 3 | 3 | 0 | R Evans | Works complete awaiting final account |
| 0 | 0 | Total Youth Offending Service | 3 | 3 | 0 | | |
| | | Housing Improvement Programme | | | | | |
| 115 | 115 | HRA Internal Works | 1,036 | 1,036 | 0 | M Punter | Maintenance of WHQS. Budget re-profiled as part of this report. |
| 1,790 | 1,790 | HRA External Works | 6,459 | 6,459 | 0 | M Punter | Works are currently being undertaken to roofs, walls and general improvements such as windows and doors |
| 0 | 0 | Jenner Road | 429 | 429 | 0 | M Punter | Structural issues identified that will require additional work in-year. |
| 0 | 0 | Williams Crescent | 274 | 274 | 0 | M Punter | Final account to be agreed. |
| 0 | 0 | Emergency Works | 378 | 378 | 0 | M Punter | Works to be undertaken as required. |
| 64 | 64 | Aids and Adaptations | 520 | 520 | 0 | M Punter | Works to be undertaken as identified. |
| 485 | 485 | Common Parts | 1,348 | 1,348 | 0 | M Punter | Fire safety works are currently being undertaken in communal areas. Budget re-profiled as part of this report |
| 1,227 | 1,227 | Environmental Improvements | 1,884 | 1,884 | 0 | M Punter | On-going works to the Buttrills Scheme. Budget re-profiled as part of this report |
| 208 | 208 | New Build | 2,466 | 2,466 | 0 | M Punter | Holm View phase 1 on site. Awaiting legal agreement from Highways to begin the initial infrastructure work. Requested to slip £3.1m into 2019/20 as part of this report. |
| 0 | 0 | ICF Penarth Older Persons Village | 100 | 100 | 0 | M Punter | New scheme to scope new accommodation |
| 7 | 7 | Digital Highway in Sheltered Accommodation | 6 | 6 | 0 | M Punter | Scheme is complete |
| 3,895 | 3,895 | Total Housing Improvement Programme | 14,900 | 14,900 | 0 | | |
| | | Private Housing | | | | | |
| 479 | 411 | Disabled Facilities Grant | 1,236 | 1,236 | 0 | B Guy | In the process of issuing grants. £100k requested to vire as part of this report |
| 0 | 0 | Barry Island and Cosmeston Toilets | 100 | 100 | 0 | B Guy | Vired £100k from Disabled Facility Grants |
| 0 | 0 | ENABLE Funding | 161 | 161 | 0 | B Guy | Scheme for issuing grant funded from WG grant |
| 1 | 1 | Castleland Renewal Area | 16 | 16 | 0 | B Guy | Works at Gladstone Gardens complete with final works to railings |
| 103 | 103 | Sully Affordable Housing | 150 | 150 | 0 | M Goldsworthy | New scheme to support Newydd Housing Association to purchase and upgrade the property to WHQS funded by S106 |
| 0 | 0 | Penarth Renewal Area | 11 | 11 | 0 | B Guy | Final invoices are outstanding. |
| 583 | 515 | Total Private Housing | 1,674 | 1,674 | 0 | | |
| 4,477 | 4,409 | COMMITTEE TOTAL | 16,577 | 16,577 | 0 | | |

| Schemes | 2019/20 | | 2020/21 | | 2021/22 | | 2022/23 | | 2023/24 | | 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 | 14,578 | 17,337 | 12,740 | 15,499 | 13,239 | 15,998 | 7,862 | 10,621 | 8,603 | 11,362 | Carry forward £3.1m as part of this report |
| 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 | |
| Additional Disabled Facility Grants | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | |
| Housing Regeneration Area | 300 | 300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Private Sector Housing | 1,450 | 1,450 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | 1,150 | |
| COMMITTEE TOTAL | 16,028 | 18,787 | 13,890 | 16,649 | 14,389 | 17,148 | 9,012 | 11,771 | 9,753 | 12,512 | |