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| Meeting of:                              | <b>Homes and Safe Communities Scrutiny Committee</b>   |
| Date of Meeting:                         | <b>Thursday, 16 December 2021</b>  |
| Relevant Scrutiny Committee:             | Homes and Safe Communities   |
| Report Title:                            | <b>Initial Capital Programme Proposals 2022/23 to 2026/27</b>  |
| Purpose of Report:                       | To submit the Initial Capital Programme Proposals for 2022/23 to 2026/27 to Scrutiny Committee for consultation .  |
| Report Owner:                            | <b>Report of the Director of Environment and Housing</b>   |
| Responsible Officer:                     | Carolyn Michael Deputy Section 151 Officer   |
| Elected Member and Officer Consultation: | All Scrutiny Committees will be consulted on the proposals.  |
| Policy Framework:                        | This report follows the procedure laid down in the constitution for the making of the budget. The final 2022/23 budget proposals will require the approval of Council.           |
| Executive Summary:                       | <ul style="list-style-type: none"> <li>This report submits the Initial Capital Programme Proposals for the 2022/23 to 2026/27 to Scrutiny Committee for consultation.</li> </ul> |

## **Recommendations**

It is recommended :-

1. That Scrutiny Committee considers the Initial Capital Programme Proposals for 2022/23 to 2026/27 and forwards its recommendations to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee.

## **Reasons for Recommendations**

1. In order to gain the view of Scrutiny Committees.

### **1. Background**

- 1.1 Council on 10th March 2021 (minute no 471) approved the Capital Programme for 2021/22 onwards.

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

- 2.1 Any changes made to 2022/23 onwards that have been requested in the April to September 2021 Capital Monitoring report, which is on the same agenda as this report, have been reflected in Appendix 1.

### **2022/23 to 2026/27 Capital Programme**

- 2.2 The Provisional General Capital Funding for 2022/23 has not yet been announced by Welsh Government (WG) and is expected on 21st December 2021 with the Final Settlement due on 1st March 2022.
- 2.3 The level of capital funding included in this report has assumed the Council will receive the same amount of General Capital Funding in 2022/23 as in 2021/22 and will then remain constant for the remainder of the period of this programme. General Capital Funding has therefore been assumed as £6.867m for 2022/23 which is made up of £3.438m General Capital Grant and £3.429m Supported Borrowing.
- 2.4 Appendix 1 sets out the Initial Proposals for the Capital Programme for this Committee between 2022/23 and 2026/27 as approved on 10th March 2021, including any subsequent approvals.
- 2.5 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 2022/23. Members will be advised once the announcement is made. An assumption has been made in Appendix 1 that the

grant will continue at the same level as in the current year, which is £2.770m in 2021/22 and throughout the period of the Capital Programme.

- 2.6** In addition to external funding, the Council will finance part of the Capital Programme from its own resources, e.g. capital receipts and reserves.
- 2.7** 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 2022/23 Capital Programme**

| <b>GENERAL FUND</b>                     | <b>£'000</b> | <b>£'000</b>  |
|---|--------------|---------------|
| <b>Welsh Government Resources</b>       |              |               |
| Supported Borrowing                     | 3,429        |               |
| General <b>Capital</b> Grant            | 3,438        |               |
| <b>Total Welsh Government Resources</b> |              | <b>6,867</b>  |
| <b>Council Resources</b>                |              |               |
| General Capital Receipts                | 2,661        |               |
| Reserves/Revenue                        | 4,195        |               |
| City Deal Unsupported Borrowing         | 2,817        |               |
| Unsupported Borrowing                   | 6,294        |               |
| <b>Total Council Resources</b>          |              | <b>15,967</b> |
| <b>HOUSING REVENUE ACCOUNT</b>          |              |               |
| Housing Reserves/Revenue                | 6,438        |               |
| Housing Unsupported Borrowing           | 32,951       |               |
| <b>Total HRA Resources</b>              |              | <b>39,389</b> |
| <b>Total Net Capital Resources</b>      |              | <b>62,223</b> |

## Capital Bids 2022/23 to 2026/27

- 2.8** New capital bids were invited for return by 24th September 2021 and the number of bids received were 40 (2 from Learning and Skills, 25 from Neighbourhood and Transport Services, 9 from Regeneration and Planning, 2 from Social Services and 2 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.
- 2.9** A number of criteria are used to assess the Capital Bids. The first criterion used is to classify the nature of the bids.
- 2.10** 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:-

| <b>Priority Level</b> | <b>Criteria</b>                         |
|-----------------------|---|
| 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                            |

- 2.11** 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 |             |             |                |

**2.12** 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     |

**2.13** 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

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

**2.15** 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.

- 2.16** This year's 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 requirements of the Coronavirus Recovery Strategy.
- 2.17** The value of capital bids received for the Council as a whole totalled a gross amount of £16.583m in 2022/23 and £30.791m 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 2022/23 has not been confirmed. It has therefore been 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. A list of capital bids received for this Committee is shown in Appendix 2.
- 2.18** There have been a number of changes approved by Cabinet since the final budget proposals 2021/22 to 2025/26 were approved in March 2021. These changes including capital sums carried forward have been included in Appendix 1.

### Housing Improvement Plan

- 2.19** The 2021/22 Housing Improvement Programme budget currently totals £31.4m. The funding of the 2021/22 programme has been amended as set out in the table below, along with the funding for the proposed 2022/23 programme: -

| <b>Funding</b>                | <b>Current 2021/22<br/>£'000</b> | <b>Amended 2021/22<br/>£'000</b> | <b>2022/23<br/>£'000</b> |
|-------------------------------|----------------------------------|----------------------------------|--------------------------|
| Major Repairs Allowance Grant | 2,770                            | 2,770                            | 2,770                    |
| Other Grant                   | 361                              | 361                              | 0                        |
| RCCO/Reserves                 | 15,531                           | 19,086                           | 6,438                    |
| Unsupported Borrowing         | 11,893                           | 8,338                            | 32,951                   |
| S106                          | 219                              | 219                              | 1,272                    |
| S20 Payments                  | 669                              | 669                              | 0                        |
| <b>Total</b>                  | <b>31,443</b>                    | <b>31,443</b>                    | <b>43,431</b>            |

### Next Steps

- 2.20** The next stage is for the capital bids and programme 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 1 and to make any recommendations for changes and to consider the capital bids shown in Appendix 2. If changes are requested or particular bids are supported, 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 22nd December 2021.

- 2.21** 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.
- 2.22** Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than the 14th February 2022 and that Cabinet's final Capital Programme proposals will be considered by Council at a meeting to be held on 7th March 2022 to enable the Council Tax to be set by 11th March 2022.
- 2.23** Due to the late announcement of the final settlement it is proposed that the draft final budget will be considered by Cabinet on 14th February 2022, referred to Corporate Performance and Resources on 17th February and then finally considered by Cabinet on 28th February 2022 with a recommended budget to be considered by Council on 7th March 2022.

### **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 :-
- **To work with and for our communities** - Consultations are carried out with the community on capital projects e.g. Band B and park schemes. Building Stronger Communities capital grants are being issued to support projects being carried out by members of the community.
  - **To support learning, employment and sustainable economic growth** - Further investment in schools through the School Investment Programme with Band A complete and development under Band B which commenced in 2019/20. Contributing as a partner in the Cardiff Capital Region City Deal will bring economic prosperity to the area. There will be continued investment in environment and regeneration programmes to support economic growth.
  - **To support people at home and in their community** - Investment in housing through the Housing Improvement Programme will maintain the Welsh Housing Quality Standard and there is a new build programme. Disabled Facility Grants are also

issued to residents. Investment in leisure centres and playgrounds will encourage more use and activity. The core active travel fund allocation grant from Welsh Government is used to implement active travel schemes.

- **To respect, enhance and enjoy our environment** - In response to the climate emergency, the Council launched a project to explore how construction practices could be adapted to support decarbonisation as part the 21st Century Schools Programme. St David's CIW Primary School was designed to be low (in-use) carbon through improved building fabric, maximising renewables and its only energy source is electric. This model was further developed to deliver net-zero (in-use) carbon school buildings for South Point Primary School and St Nicholas CIW Primary School. The South Point Primary School scheme is due to be completed early 2022 which will make it the first net-zero carbon primary school building in Wales. Investing in the introduction of LED street lighting will bring environmental benefits. Funding has been made available for the installation of vehicle charging infrastructure and for the purchase of electric pool cars. The school decarbonisation programme consists of a variety of energy reduction measures and renewable energy installations have been identified across a number of assets within the school portfolio. Recycling is now to be sorted into separate containers, the change is aimed at improving the quality of the materials that are collected for recycling which is better for the environment and will help the Council to recycle more.
- 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 total net capital expenditure of the proposed programme for the Council as a whole over the 5 years, is £168.472m. If all these schemes 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>£'000</b>   |
| <b>Anticipated Balance as at 1st April 2022</b> | <b>3,540</b>   |
| Anticipated Requirements – 2022/23              | -934           |
| Anticipated Receipts – 2022/23                  | 0              |
| <b>Balance as at 31st March 2023</b>            | <b>2,606</b>   |
| Anticipated Requirements – 2023/24              | 0              |
| Anticipated Receipts – 2023/24                  | 0              |
| <b>Balance as at 31st March 2024</b>            | <b>2,606</b>   |
| Anticipated Requirements – 2024/25              | 0              |
| Anticipated Receipts – 2024/25                  | 0              |
| <b>Balance as at 31st March 2025</b>            | <b>2,606</b>   |
| Anticipated Requirements – 2025/26              | 0              |
| Anticipated Receipts – 2025/26                  | 0              |
| <b>Balance as at 31st March 2026</b>            | <b>2,606</b>   |
| Anticipated Requirements – 2026/27              | 0              |
| Anticipated Receipts – 2026/27                  | 0              |
| <b>Balance as at 31st March 2027</b>            | <b>2,606</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 2022/23 to 2026/27.

### 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

| Schemes                                    | 2022/23       |               | 2023/24       |               | 2024/25       |               | 2025/26       |               | 2026/27       |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | Net           | Gross         |
|  | £000          | £000          | £000          | £000          | £000          | £000          | £000          | £000          | £000          | £000          |
| <b>HRA</b>                                 |               |               |               |               |               |               |               |               |               |               |
| Housing Improvement Programme              |               |               |               |               |               |               |               |               |               |               |
| <b>Total Housing Improvement Programme</b> | <b>39,389</b> | <b>43,431</b> | <b>19,973</b> | <b>22,743</b> | <b>19,313</b> | <b>22,083</b> | <b>14,766</b> | <b>17,536</b> | <b>14,478</b> | <b>17,248</b> |
| <b>Private Sector Housing</b>              |               |               |               |               |               |               |               |               |               |               |
| 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           |
| <b>Total Private Sector Housing</b>        | <b>1,150</b>  |
| <b>COMMITTEE TOTAL</b>                     | <b>40,539</b> | <b>44,581</b> | <b>21,123</b> | <b>23,893</b> | <b>20,463</b> | <b>23,233</b> | <b>15,916</b> | <b>18,686</b> | <b>15,628</b> | <b>18,398</b> |

| Scheme Title  | 2022/23   |           | 2023/24   |           | 2024/25   |           | 2025/26   |           | 2026/27   |           | Total      | Scheme Priority Rating | Risk Assessment | Corporate Priority | WFGA Score |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------------------|-----------------|--------------------|------------|
|   | NET       | GROSS     |            |                        |                 |                    |            |
|   | £000      | £000      | £000      | £000      | £000      | £000      | £000      | £000      | £000      | £000      | £000       |                        |                 |                    |            |
| <b>Neighbourhood &amp; Transport Services</b>   |           |           |           |           |           |           |           |           |           |           |            |                        |                 |                    |            |
| <b>Community Safety- Safer Street-</b> "Safer Streets" is a targeted evidence-based programme that involves improving the physical security of the parts of the Vale where rates of crimes against women are highest and where resident's fear of crime is highest. | 60        | 60        | 60        | 60        | 60        | 60        | 60        | 60        | 60        | 60        | 300        | A                      | H               | 2                  | 5          |
| <b>COMMITTEE TOTAL</b>  | <b>60</b> | <b>300</b> |                        |                 |                    |            |