



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

CABINET

15th December 2021

REPORT OF THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

Matter for: Decision

Wards Affected – All Wards

Capital Programme Governance

Purpose of Report

To provide members with a terms of reference for the Capital Programme Steering Group and Members Surgeries for information and to seek approval from members to implement a Capital Programme Management Protocol.

Executive Summary

This report provides the Cabinet with **information** in relation to:

- The Terms of Reference of the Capital Programme Steering Group (CPSG); and
- The Highways and Engineering Members Surgeries process.

The report also seeks Cabinet **approval** for:

- A Protocol in relation to Capital Programme Management in order to address the findings of the Independent Governance Review as reported to the Governance and Audit Committee on 24th June 2021.

Background

The Governance and Audit Committee Report of the 24th June 2021 contained an Action Plan to respond to the findings and recommendations made from an independent and external review of governance arrangements.

That Action Plan contained a number of recommendations, including that the Council should:

- (a) Develop a comprehensive transparent evidence based prioritisation matrix based on agreed, objective criteria against which all competing projects can be compared, and decisions regarding their adoption or rejection clearly demonstrated. It is for the Council to determine the criteria for inclusion or non-inclusion (for example in the case of emergencies and the exercising of judgement by officers) of projects within this process along with the judgement criteria upon which decisions are made; and
- (b) Develop a Terms of Reference for the CPSG that clearly defines their purpose and delineates their role in the governance and decision-making process.

The Chief Executive accordingly proposed that:

- (a) A revised decision making procedure to be developed for capital works which sets out how works will be prioritised within available budgets;
- (b) A written protocol to be developed setting out how decisions to undertake capital works will be taken, including the arrangements that will apply in the case of urgent works; and
- (c) Terms of reference to be drawn up with a clear line of reporting of the CPS Group to the Corporate Directors Group

The Governance and Audit Committee of the 24th June 2021 subsequently endorsed these recommendations.

Following on from this, it was thought appropriate as well to review and update the protocol in respect of the operation of members surgeries, which form part of the allocation methodology for the planned Highways and Engineering works programme throughout the County Borough

CPSG Terms of Reference

CPSG was a group that was first established in 2002 comprising of officers only in order to oversee the implementation of the Council's Capital Programme.

It is not a decision making body and merely a group of officers convened to ensure the Council's capital works programme is successfully delivered.

Inevitably though, from time to time unplanned service needs arise in year, for example from landslides, sink holes, or collapses of structures such as culverts, and CPSG expanded its role to advise on the appropriate allocation of any contingencies monies. This is the part of its work where a need for formal approval of the arrangements is needed to make the improvements to governance identified.

Further to the review, CPSG's clarified responsibilities are to:

- Recommend to the Council's Corporate Directors Group the distribution of un-hypothecated capital funding to Service areas. The Capital funding consists of Welsh Government un-hypothecated funding; an assumed sum in relation to capital receipts and an annual allocation of funding to support Prudential Borrowing. The amount of assumed capital receipts and prudential borrowing will be advised by the Chief Finance Officer (Section 151 Officer).
- Monitor the delivery of the agreed Capital Programme.
- Consider and recommend to Corporate Directors Group in-year allocations from the Capital Programme Contingency in line with the Council's Constitution and prioritisation methodology (*once approved*).
- Receive details of Capital grants awarded and ensure that the Capital Programme is updated accordingly.
- Prepare Regular Budget Monitoring and Update Reports for Corporate Directors Group
- Prepare an end of year Outturn report for consideration by Corporate Directors Group.

An up to date Terms of Reference for CPSG are now provided at Appendix 1 for information.

Members Surgeries

Taking account of the review work, revised information is provided at Appendix 2 in relation to the operation of Members Surgeries which form part of the allocation methodology for Highways and Engineering works programme projects.

Protocol for Capital Programme Management

The proposed Protocol for Capital Programme Management, including how projects will be prioritised within approved budgets, is set out in Appendix 3 of this report. It addresses the recommendation and actions of the independent governance review.

Financial Impacts

The proposals will ensure that capital resources are used to address identified priority needs across the county borough and that the allocation of scarce capital resources is transparent and decision making is recorded and fully auditable.

Integrated Impact Assessment

As this report relates to governance related matters there is no requirement for an integrated impact assessment.

Valleys Communities Impacts

There are no specific Valleys Communities Impacts arising from this report.

Workforce Impacts

The report clarifies the purpose of the Capital Programme Steering Group and makes clear that it is an officer mechanism established to support the Council's Chief Officers in discharging their individual and collective functions.

Legal Impacts

There are no legal impacts.

Risk Management Impacts

This report has been developed to address identified risks highlighted in an external independent review of some aspects of the Council's decision making arrangements related to the capital works programme. The proposals respond to the recommendations made by the external reviewers and will ensure that there is a clear and documented process for determining the priorities to be funded from the Council's capital resources with the respective roles of officers and members clearly expressed. Approval and subsequent approval of the recommendations will ensure that decisions are transparent and that there is clear accountability for decisions reached on scarce capital resources.

Consultation

There is no requirement for consultation.

Recommendation

It is recommended that Cabinet:

- Note the contents of Appendix 1 and 2 which are for information
- **Approve** the Protocol for Capital Programme Management as set out in Appendix 3 of this report

Reason for Proposed Decision

To ensure that the recommendations and actions arising from the May 2021 Independent Assurance review are addressed and appropriate terms of reference are in place.

Implementation of Decision

The decisions are proposed for implementation after the three day call in period.

Appendices

Appendix 1 - Capital Programme Steering Group (“CPSG”) Terms of Reference.

Appendix 2 – Members Surgeries Arrangements

Appendix 3 – Protocol for Capital Programme Management

List of Background Papers

Independent External Assurance Report (see Governance and Audit Committee papers 24th June 2021)

Officer Contact

Mrs Karen Jones – Chief Executive

Mrs Nicola Pearce – Director of Environment and Regeneration

Mr. Huw Jones – Chief Finance Officer

Capital Programme Steering Group (“CPSG”)

Terms of Reference

Attendees

The following shall be members of the Capital Programme Steering Group:

- Chief Finance Officer (Chair)
- Head of Adult Services, Head of Engineering and Transport, Head of Streetcare, Head of Property and Regeneration, Head of Transformation. Group Accountant – Capital and Corporate, Senior Accountant (Capital), Architectural Design and Project Management Manager, Programme Management Co-ordinator (ELLL), Corporate Policy Manager and Housing and Homelessness Services Manager.
- Any other officer invited to attend by the Chief Finance Officer
- The Council’s Audit Manager may also attend the meeting with and without notice.

The Group is chaired, with effect from January 2021, by the Council’s Chief Finance Officer. In the absence of the Chair those present will elect another Head of Service to chair the meeting.

In the event that an officer or member is unable to attend notification should be provided to the Senior Accountant (Capital) at the first opportunity.

Frequency of Meetings

CPSG shall meet every quarter subject to any additional meetings that shall be called to address specific matters.

Where a special meeting is required, this will be convened by the Chief Finance Officer.

Unless notified to the contrary, all meetings shall take place remotely via Microsoft TEAMS

Purpose of Meeting

CPSG is an officer meeting deliberating in private that reports to and is accountable to the Corporate Directors Group. **It is not a decision making body.**

CPSG is responsible for:

- Recommending to Corporate Directors Group the distribution of un-hypothecated capital funding to Service areas. The Capital funding consists of Welsh Government un-hypothecated funding; an assumed sum in relation to capital receipts and an annual allocation of funding to support Prudential Borrowing. The amount of assumed capital receipts and prudential borrowing will be advised by the Chief Finance Officer (Section 151 Officer).
- Monitoring the delivery of the agreed Capital Programme.
- Considering and recommending to Corporate Directors Group in year allocations from the Capital Programme Contingency in line with the Council's Constitution and prioritisation methodology (*once approved*).
- Receiving details of Capital grants awarded and ensuring that the Capital Programme is updated accordingly.
- Prepare Regular Budget Monitoring and Update Reports for Corporate Directors Group
- Preparing an end of year Outturn report for consideration by Corporate Directors Group.

Format of Reports

All items to be considered at CPSG must be in writing unless otherwise agreed with the Chief Finance officer. This will only be in an emergency situation.

The chief officer in whose name the report has been written will be responsible for the advice the report contains.

Briefing on emerging issues and the progress of significant areas of work are expected to be supported by documentation – this could be in

report or presentation format. It will be the exception that matters are based on oral reports alone.

Minutes

The Senior Accountant (Capital) will arrange for the meeting to be minuted and a copy of the minutes will be forwarded to all members of CPSG. Minutes will be retained in accordance with the relevant requirements that apply to record retention.

As part of their responsibility for the oversight of CPSG, Corporate Directors Group will receive all minutes from CPSG.

Freedom of Information

The provisions of the Freedom of Information Act 2000 would apply as appropriate to reports or background/briefing papers to the CPSG meeting including where exemptions (and if relevant, the consequential public interest test) may apply under the terms of the Act.

Public access requests may fall under such exemption categories, and thus referral to the relevant Head of Service needs to be made before any disclosure of information from the reports or background/briefing papers to the CPSG.

Pursuant to the Local Authorities (Executive arrangements)(Decisions, Documents and Meetings)(Wales) Regulations 2001, reports or background/briefing papers to the CPSG are regarded as being in “draft form” for the purpose of consideration in relation to any future executive decision by the Cabinet or a Cabinet Board (though such as drafts also being subject as appropriate to the provisions/exemptions of the Freedom of Information Act 2000 as above).

Review

These Terms of Reference shall be reviewed on an annual basis by the Chief Finance Officer. Proposed amendments to the terms of reference will be presented to the Corporate Directors Group for review and if considered appropriate for approval.

**Streetscene and Engineering
Revised Members' Surgery Arrangements
Briefing Note, Autumn 2021**

General

Executive Support officers in Environment & Regeneration arrange surgery meetings annually to provide an opportunity for all Members to discuss ward issues with the Cabinet Members for Street Scene and Engineering. These meetings were introduced as part of the Neighbourhood Management Initiative some 14 years or so ago and have proved very worthwhile. They are organised on a non-political ward basis so where a ward has more than one elected representative all Members are invited together.

The meetings are intended to serve two main purposes:

1. Provide an opportunity for ward members to speak directly with the Cabinet Members for street scene and environment to discuss how 'neighbourhood management' in their area is operating e.g. grass cutting, litter picking, sweeping and the like; and,
2. Give an opportunity to discuss the planned Highways and Engineering Works Programme for the subsequent financial year.

Discussion on Highway and Engineering Works Programme

In the surgery meeting, officers will put forward needs based priorities for the works programme.

Acknowledging that Ward Members have knowledge from their own ward surgeries and other experience of Highway and Engineering needs in their ward, in the surgery meetings ward members will be offered an opportunity, collectively as far as possible, to identify other priorities for action. Priorities can include maintenance such as footway or road surfacing, or the need for improvements, for example, signs, road markings and traffic orders. This information will be useful for officers as they can subsequently look for any opportunities that arise such as grant funding to take them forward.

Appendix 2 – Members Surgeries Arrangements

To assist with proceedings the following officers will be present at the surgery:

- A member of the Highway Network Management Section who will have available ward maps showing footway and highway condition data;
- A member of the Traffic/Engineering Services Section to advise on safety issues and design/engineering matters; and,
- A member of the Neighbourhood Services Section to feedback to the operational teams any local environmental quality issues that are raised.

After the surgeries all the identified needs across the County Borough will then be weighed up and brought together by the Highways Network and Programme Manager into a coherent draft programme which fits within the available budget. The proposed allocation of funding in line with the draft programme will then be taken to Cabinet Board for approval around March.

Financial Context and Prioritisation

Some members have previously asked whether there is a funding allocation for each ward or per member. Production of the works programme is a somewhat complex balancing act as set out below, and **there is no set allocation of funding either at ward or individual Member level.**

The starting point is inevitably that needs always outstrip available resources. There is currently effectively only one 'pot' for the Highways and Engineering Works Programme, which in the absence of any external or other funding, is circa £1.875M comprising the £1.625M capital budget allocated by Council in the budget round for Highways and Engineering Work, £150K capital budget similarly allocated for Neighbourhood Improvements, and circa £100K in the revenue budget for planned highway maintenance.

Money from the one 'pot' needs to be spread across a range of issues/asset categories such as roads, drainage and bridges, as all the money cannot be spent in one asset area if the Council is to meet its statutory obligations as Highway Authority. Within the various

Appendix 2 – Members Surgeries Arrangements

categories, the 'pot' of available funds needs to be applied to deal with problems associated with, for example, road and footway repairs/resurfacing, dropped crossings for disability access; traffic orders; new road signs and lines, accident reduction measures, crash barrier renewal, cattle grids, traffic signal renewal, bridge repairs and strengthening, highway retaining wall repairs, gully and carrier drains repairs/improvements, culvert renewal/repairs, new culvert trash screens and other actions to address highway flooding, and dealing with minor landslips onto the highway.

To this end, officers will put forward proposals based on the following:

- Needs that must be met - for example, where roads are subjected to technical machine surveys and testing identifies that the road surface skidding resistance is defective, or if a highway retaining wall or road culvert is collapsing causing safety problems;
- Works required to address evidence based safety problems such as accident records and speed records;
- Works to address areas subject to regular expensive ad-hoc revenue funded repairs; and,
- Improvements where works are considered desirable and where there is a degree of urgency to avoid future problems.

Members may flag to officers improvements based on perceived problems, for example in relation to road safety, or works that would be 'good to have' to meet a community need or aspiration, but given the level of available budget such items will not be included in the draft programme, and their future implementation will rely on alternative funding sources being identified.

One of the advantages of not having a fixed allocation of budget per ward is that sometimes an area may, for example, require a £10,000 repair scheme and another year it may require a £60,000+ scheme. A simple calculation will show that if the whole of the Highway and Engineering Works Programme 'pot' were divided evenly (noting some wards have more Members than others, some wards have more needs than others, and some maintenance schemes are inevitably significantly more expensive than others) there would only on average be some

Appendix 2 – Members Surgeries Arrangements

£44,000 per ward, which given what the available money needs to cover in terms of assets is not very much.

To assist with formulating a works programme, Officers typically start with an indicative breakdown of the available funding 'pot' as below:

It is noted that with the pressure on budgets the number of needs that can be met, particularly with respect to improvement as opposed to maintenance work, is limited.

Protocol for Capital Programme Management

Capital Programme Setting

In relation to the setting of the Council's Capital Programme the Terms of Reference for (CPSG) include:

'Recommending to Corporate Directors Group (CDG) the distribution of un-hypothecated capital funding to Service areas'.

To achieve this the Chief Finance Officer will:

- Estimate the amount of un-hypothecated Capital Funding anticipated as part of the Local Government Finance Settlement as provided by Welsh Ministers.
- Make an assessment as to the value of Capital Receipts available to support the delivery of future year's Capital Programmes.
- Assess the affordability of any potential Prudential Borrowing which could be made available to supplement the two other sources described above.
- Incorporate known / anticipated specific grants for relevant projects

Following completion of the above, CPSG will:

- Consider how funding should be distributed to service areas and make appropriate proposals.
- Recommend the above to Corporate Directors Group (CDG).

Corporate Directors Group will:

- Consider the recommendations put forward by CPSG. Propose amendments and finalise report.
- Forward a report for approval by Cabinet subject to scrutiny by Cabinet Scrutiny Committee.

Cabinet will:

- Consider recommendations and if approved commend the funding allocations to Services to Full Council for final approval

In relation to the distribution of funding to specific projects within Service Areas the report to Cabinet will specify whether any delegated authority is requested for Officers to make appropriate allocations. Subsequent Budget Monitoring Reports will include reference to where these delegated powers have been utilised.

In the absence of any delegated authority the allocation of resources to specific projects within Service Areas will need to be determined by the appropriate Cabinet Board. Where appropriate these will be aided by the use of Members Surgeries as detailed in Appendix 2 of this report.

In year allocations of funding – specifically addressing the prioritisation requirements for unplanned work

In recommending the service allocations of capital funding it is expected that CPSG will propose an element of funding be retained as a 'contingency' in order that unforeseen emergency and priority works can be addressed in-year and outside of the original Capital Programme setting process.

The Governance Review refers to the need to develop a matrix in relation to the distribution of contingency funding. What is being proposed below is not technically a matrix but does provide a methodology which is transparent and introduces a proportionate level of governance.

The Council's constitution includes the following in relation to the agreement of budget virements:

- Less than £100,000 – Corporate Directors
- More than £100,000 but less than £500,000 – Cabinet
- More than £500,000 – Council

It is proposed that these virement limits be applied to in-year allocation of capital funding from the approved contingency budget to individual urgent requests for funding. The Council's constitution will need to be updated to include specific reference to this.

In considering whether to recommend to CDG an allocation of funding, CSPG will assess the proposal against the following criteria:

- Does the proposal align with at least one of the Council's four Well-being objectives?
- In the opinion of the sponsoring Head of Service is the proposal an immediate urgent priority which cannot be considered as part of the annual Capital Programme Setting Process?
- Is there a Health and Safety Risk if the proposal is not supported?
- What are the potential implications of not agreeing to fund the proposal?
- Have all other potential sources of funding been exhausted?
- The allocation required is to match fund external grant support to enable the project to be approved/commence?

After considering the above CPSG will either reject the proposal or recommend to CDG that funding be allocated. Formal approval will then follow the virement thresholds detailed above.