

Report To: Cabinet

Date of Meeting: 16 February 2016

Lead Member/Officer: Julian Thompson-Hill/Richard Weigh

Report Author: Richard Weigh

Title: Recommendations of the Strategic Investment Group

1. What is the report about?

Block Allocation capital bids received for inclusion in the 2016/17 Capital Plan.

2. What is the reason for making this report?

- 2.1 The Strategic Investment Group, which includes representatives from the three scrutiny committees, has met on a number of occasions to consider bids prepared by each department.

3. What are the Recommendations?

That Cabinet supports the projects shown in Appendix 1 for inclusion in the 2016/17 capital plan, and recommends accordingly to full Council.

4. Report details

- 4.1 The Welsh Government's capital settlement for 2016/17 is in line with that for 2015/16 and continues the recent flat capital settlements.
- 4.2 With the continued lack of growth in capital investment from the Welsh Government, the Council has no choice but to rely on its own resources to invest in key projects. This means either selling assets to generate receipts or using Prudential Borrowing.
- 4.3 The Council is aiming to dispose of a number of sites over the next three years. The total available funding in 2016/17 includes £871k from assets that are currently proceeding to disposal, and are anticipated to be completed by March 2016 and £138k from assets that are anticipated to proceed to disposal during 2016/17. The allocation of these funds to schemes is provisional until the funds are received from disposals.

4.4 The available funding for 2016/17 is shown below:

Source	Amount £000
General Capital Grant	1,842
Un-hypothecated Supported Borrowing	3,026
Prudential Borrowing - Highways	2,776
Capital Receipts	888
Future Capital Receipts – Disposal of assets on-going	1,009
Unspent Contingency b/f	500
In Year Revenue Contribution	1,500
Total Funds Available 2016/17	11,541

4.5 The Capital Plan spends money on two types of project. Firstly there are one-off projects such as a new school or refurbishment of a leisure centre, the second type of expenditure is a 'block allocation'. These are ongoing programmes of work that stretch over several years (and may never be complete) e.g. schools maintenance. Elements of this work may be paid for from repair and maintenance budgets but a significant part is funded through the capital plan.

Recommendations of the Strategic Investment Group

4.6 The Strategic Investment Group decided to invite bids in line with previously agreed block allocations from departments. The Strategic Investment Group has reviewed 11 bids over a number of meetings.

4.7 Each bid was submitted with approval of the relevant head of service.

- It is proposed to allocate £1.5m in support of Private Sector Housing Assistance. The funding will be used in the main on the provision of Disabled Facilities Grants.
- An allocation of £220k is recommended for Minor Adaptations, Community Equipment and Telecare. This funding is targeted at enabling the elderly and disabled to remain in their own homes.
- It is proposed to allocate £140k to the Agricultural Estate to support the rationalisation of the estate and address Health and Safety issues. This allocation is provisional, subject to disposal of assets.
- Both the school and non-school capital maintenance bids include provision for essential maintenance such as Asbestos Removal, Fire Risk Assessment Work, DDA etc. It is recommended that £2.070m be allocated to Schools Capital Maintenance Works. Of this, £519k will be

provisional, subject to disposal of assets. It is also proposed to allocate £800k to non schools capital maintenance work. Of this, £350k will be provisional, subject to disposal of assets. It is further recommended that the appropriate Heads of Service determine the precise allocations to the specific works required, in order of priority.

- Highways have received £150k to support prudential borrowing as part of the revenue budget for 2016/17. This will allow approximately £2.550m of capital expenditure. In addition to this, it is proposed to allocate £1m block allocation for structural and other repairs including highway maintenance, street lighting and bridges. Furthermore, it is proposed to allocate £2,535k as match funding to support a grant submission for £7,605k to the Welsh Government in relation to coastal flood risk improvement works at East Rhyl.
- The Strategic Investment Group considered a proposal for the continuation of a six year programme of replacement of all the street lighting lanterns within Denbighshire with new LED lanterns. The programme commenced in 2015/16 and will cost £1.5m in total, providing significant savings on energy costs and on-going maintenance costs. The scheme is funded through the Government Salix funding initiative which provides interest free loans for energy efficient projects and will be repaid using the savings generated. The costings within the bid have been agreed with Finance. Applications for Salix funding are required on an annual basis, and the Strategic Investment Group recommends the submission of an application to take out a Salix loan for year two costs of £226k repayable over 6 years.
- The Strategic Investment Group recommends maintaining the allocation set aside for any contingencies at £0.5m, in line with 2015/16.

4.8 Appendix 1 shows the projects listed with recommended funding for each. Each project that is being recommended for approval is shown under a different column in the appendix:

- PB Highways – £2.776m. This is £2.550m prudential borrowing to be supported from the revenue budget as approved by Council on 26th January 2016, together with proposed £226k application for Salix funding.
- Council Funds – These are funds such as general grants, capital receipts, and unspent contingency. This funding includes £1.5m available following a review of corporate contingencies and provisions. Further detail on this is included within the Finance Report on this agenda.

4.9 The membership of the Strategic Investment Group is as follows:

- Cabinet Member – Lead Member for Finance, Corporate Plan & Performance
- Cabinet Member – Leader of the Council and Lead Member for the Economy
- Cabinet Member – Lead Member for Modernising and Housing
- Representative from each Scrutiny Committee
- Corporate Director – Economy and Public Realm
- Chief Finance Officer/S .151 Officer
- Manager – Corporate Programme office

5. How does the decision contribute to the Corporate Priorities?

Projects have been reviewed to ensure that they satisfy the Council's corporate objectives.

6. What will it cost and how will it affect other services?

6.1 Cost Implications

The costs of the schemes are shown in Appendix 1. The Prudential Borrowing costs will be met through the 2016/17 revenue budget.

6.2 Staffing/IT/Accommodation Implications

Each new project is required to complete a Project Proposal or Business Case form and any specific implications are discussed at that stage.

6.3 Assessment of Impact on Climate Change – Mitigation and Adaptation:

New capital projects are subject to scrutiny by the Strategic Investment Group. Each business case will show, where relevant carbon tonne emission pre and post project, thus identifying whether the project is carbon emission positive, negative or neutral. In addition, it is necessary to ensure new capital projects are future proof and able to adapt to climate change.

Increases/decreases in the usage of IT equipment will impact on electricity costs and carbon cost.

7. What are the main conclusions of the Equality Impact Assessment undertaken on the decision?

The allocations proposed for each project will be reassessed before commencement to confirm there is no significant impact. The EqIA process is integrated into all bids for capital projects.

8. What consultations have been carried out with Scrutiny and others?

Heads of Service approved the submission of the bids. Representatives of Cabinet and Scrutiny committees have been involved in the process.

All members have been informed of the bids, with hard copies of bids available to view within the Members room, County Hall, Ruthin and project bids available to view on Mod.Gov.

9. Chief Finance Officer Statement

The Council must continue to invest appropriately in its assets. Not to do so can incur more significant costs in the long term. With the continuing reduction in the real value of Welsh Government supported borrowing, the Council must rely on its own resources more and more.

10. What risks are there and is there anything we can do to reduce them?

10.1 Risks associated with not agreeing the recommendations

Possible risks would include schemes not progressing, loss of grant and disruptions to services. The condition of assets would continue to deteriorate if investment is not made, and this may lead to the loss of important services.

10.2 Risk associated with agreeing the recommendations

No capital project is without risk. However all schemes are reviewed by the Strategic Investment Group and are also subject to on-going monthly monitoring and reporting.

11. Power to make the Decision

Local Authorities are required under section 151 of the Local Government Act (1972) to make arrangements for the proper administration of their financial affairs.