

Report To: Council

Date of Meeting: 28 February 2012

Lead Member: Lead Member - Finance and Efficiency

Report Author: Head of Finance and Assets

Title: Recommendations of the Strategic Investment Group

1. What is the report about?

Capital Bids received for inclusion in the 2012/13 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 over the last few weeks to consider bids prepared by each department.

3. What are the Recommendations?

The projects shown in appendix 1 are included in the 2012/13 capital plan.

4. Report details

- 4.1 The Welsh Government's capital settlement for 2012/13 has seen a reduction of 7.8% (£489k) over 2011/12. This continues the very poor capital settlements provided by the Welsh Government over the past five years. In addition to this, future specific grants are likely to be set at a lower level than in previous years.
- 4.2 With the lack of 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 three year time frame of this report. Asset disposals can, however, be slow with values uncertain and the timing of receipts difficult to predict. The current economic conditions also add further risk and will put downward pressure on values. For the purposes of this report no new capital receipts have been assumed and the only funds allocated are those that have already been received.

- 4.4 The Council also builds a £1m contingency into the capital plan each year to ensure it can deal with any unforeseen circumstances, and also to ensure it can deal with any problems with specific projects that overspend. An additional £500k contingency has been agreed by Council on 15 November 2011 to provide for any potential problems that should occur with the Foryd Development. At the end of each financial year any unspent contingency is released back into the following year's capital plan.

The available funding for 2012/13 is shown below:

Source	Amount £000
General Capital Grant	1,934
Unhypothecated Supported Borrowing	3,820
Prudential Borrowing - Highways	3,650
Prudential Borrowing – Regeneration/Schools	4,000
Capital Receipts	1,059
Unspent Contingency b/f	647
Earmarked Reserves	450
Welsh Government Education Grant	318
Total	15,878
Funds already committed	5,230
Funds Available 2012/13	10,648

- 4.5 Funds already committed are from previous decisions made by members and consist of:

- Capital contingency £1.5m.
- Grants for SME's £30k.
- 21st Century Schools Reserve - Cash £200k.
- 21st Century Schools – PB £3.0m.
- Foryd Development £500k.

- 4.6 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

- 4.7 In the light of continued cuts to the capital resources available to the Council, it was agreed by the Strategic Investment Group to invite bids in line with previously agreed block allocations from departments. The Strategic Investment Group has reviewed 16 bids over a number of meetings. It was not deemed necessary to apply the Council's scoring mechanism to the review process.
- 4.8 Each bid was presented by a head of service. Some issues that arose from this process are detailed below:
- The Strategic Investment Group has noted that significant investment will be required to progress 21st Century schools proposals over the next few years. In support of this initiative, Council on 7th February 2012 approved £200k as part of the revenue budget process to support capital expenditure of around £3.0m through Prudential Borrowing. It is acknowledged that this spend is not likely occur until 2013/14.
 - Due to the late receipt of a £318k Welsh Government grant for Education, there has not been sufficient time to bring proposals for its use to the Strategic Investment Group. Given the grant needs to be claimed by 31 March 2012, existing planned expenditure in 2011/12 will be used to draw down the grant. This will release £318k into the 2012/13 capital plan. The Strategic Investment Group has recommended that this sum is set aside to support future schools 21st Century proposals.
 - Earlier in the year, Highways received a grant for additional salt. As this was not needed, it was held centrally. It is proposed that this money (£250k) be used to fund a programme of street lighting improvements, replacing approximately 1,650 units to cut energy consumption and release future budget savings.
 - The Strategic Investment Group have considered the Community Capital bid and the Strategic Regeneration Match Funding bid and recommended combining them and bringing them together with the priority funds in the revenue budget to create larger strategic fund that can support town plans, regeneration and communities.
 - 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 £1.725m be allocated to Schools Capital Maintenance Works and £500k to Non schools capital maintenance work. It is further recommended that the appropriate Heads of Service determine the precise allocations to the specific works required, in order of priority.

4.9 Highways have received £100k to support prudential borrowing as part of the revenue budget for 2012/13. This will allow approximately £1.4m of capital expenditure. In addition, Welsh Government have earmarked £162k of revenue funding for Denbighshire to fund prudential borrowing and this will generate Highways capital works of approximately £3.65m. The latter is subject to the approval of a business case by the Welsh Government. In addition to this, it is proposed to support flood alleviation works of £375k, the replacement of dangerous street lighting columns and units (£100k) and £1m in block allocation for structural and other repairs, including bridges. This gives a total proposed Highways capital programme of £5.3m for 2012/13.

4.10 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 – This is the £3.65m prudential borrowing to be supported from the revenue budget as approved by Council on 7th February 2012.
- Council Funds – These are funds such as general grants, capital receipts, and unspent contingency. This funding is for one year only.

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

- Lead Cabinet Member – Finance & Efficiency
- Lead Cabinet Member – Modernising the Council
- Lead Cabinet Member – Regeneration & Tourism
- Scrutiny Chairs
- Corporate Director – Business Transformation & Regeneration
- Head of Finance & Assets
- Head of Planning, Regeneration & Regulatory Services

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. This appendix is exempt at present from public disclosure by virtue of paragraph 14 of Part 4 of Schedule 12A of the Local Government Act 1972. The Prudential Borrowing costs will be met through the 2012/13 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

Carbon emitted from the Council's property portfolio equates to over 70% of the total carbon footprint of the Council.

7. **What consultations have been carried out?**

7.1 Heads of Service presented 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 being located in the Members room and project bids available to view on the Members database.

7.2 **Chief Financial Officer Statement**

With the continuing reduction in the real value of Welsh Government funds, the Council is forced to rely on its own resources more and more.

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

8.1 **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.

8.2 **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.

9. 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.