

Report to	Cabinet
Date of meeting	20 February 2024
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Liz Thomas, Head of Finance and Audit
Report author	Liz Thomas, Head of Finance and Audit
Title	Recommendations of the Capital Scrutiny Group

1. What is the report about?

Block allocation capital bids received for inclusion in the 2024/25 Capital Plan.

2. What is the reason for making this report?

The role of the Capital Scrutiny Group (CSG) is to provide an independent review of all business case proposals for capital investment, other than schemes under £0.250m that are funded 100% by external grant funding. CSG considered the block allocations for 2024/25 prepared by each service at its meeting on 26 January in preparation for the Capital Plan being considered by full Council at the end of February 2024.

3. What are the Recommendations?

3.1 That Cabinet note the contents of this report.

3.2 That Cabinet approves the principles for capital schemes as set out in 4.3.

3.3 That Cabinet supports the projects shown in Appendix 1 for inclusion in the 2024/25 Capital Plan and recommends accordingly to full Council.

4. Report details

4.1 The available funding for 2024/25 is shown below:

Source	Amount £000
General Capital Grant	3,128
Un-hypothecated Supported Borrowing	3,045
Sub-total: WG Funding – Provisional Settlement December 2023	6,173
Prudential Borrowing ICT - existing provision	250
Prudential Borrowing – Highways	2,000
Capital receipts	111
Estimated unused contingency b/f	328
Total Funds Available 2024/25	8,862

4.2 The Capital Plan spends money on two types of project. The first type are one-off projects, such as a new school; the second type is a 'block allocation'. These are on-going 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.

4.3 A moratorium on any further DCC funded schemes for 2023/24 has been agreed, and Cabinet / CET agreed to implement the following set of criteria / principles for capital schemes:

- The council should work towards capping the block allocations to the level of capital funding received from Welsh Government i.e. £6.173m per the above table.
- Urgent Health and Safety issues should be prioritised.
- Consideration to be given to invest-to-save schemes, even if the benefit is reducing pressures in the medium-term.
- Grant funded schemes – more reliance on using grant funding as effectively as possible. 100% grant funded schemes are obviously preferable, but it is recognised that sometimes match funding will be required. Consideration should also be made to any ongoing revenue impact of a capital grant.
- Capital receipts or delays to other projects will be the only other source of funding available for 24/25 and 25/26.

4.4 Appendix 1 shows the proposed block allocations with the recommended funding source for each highlighted in the appropriate column. The following points should be noted:

- It is proposed that the schools' block allocation be reduced. This is due to the schools' allocations being increased in recent years above the annual allocation it would normally have received from general capital funding.
- In recent years, the Council has invested significantly in highways resurfacing, with £4m being the current (2023/24) annual capital allocation (in addition to revenue funding and any WG capital funding available). The £4m allocation is funded by borrowing which costs c£300k every year for 40 years from revenue. Given the Council's current financial position, funding through borrowing at this level every year is financially unsustainable. It is proposed to reduce the capital allocation to £2m in 2024/25 and review the funding approach as set out below.
- General Capital Funding column – these are funds such as general grants and contributions from the capital financing budget.

4.5 Welsh Government capital funding settlement is similar to 2023/24. A narrative to support the recommendations of the Capital Scrutiny Group is included as Appendix 2.

4.6 The membership of the Capital Scrutiny Group is as follows:

- Cabinet Member – Leader of the Council and Lead Member for Economic Growth and Tackling Deprivation
- Cabinet Member – Lead Member for Finance, Performance and Strategic Assets
- Cabinet Member - Deputy Leader and Lead Member for Education, Children and Families
- Representative from each scrutiny committee
- Chief Executive
- Corporate Director – Governance and Business
- Head of Finance (S.151) and Audit
- County Landlord

4.7 There is a need to review how the block allocations are funded in the capital budget. There is not sufficient time to review all block allocations for 2024/25 but work on 2025/26 can begin immediately after the 2024/25 budget is set. The proposal is that all block allocations are reviewed, including those funded from capital receipts or prudential borrowing such as the highways resurfacing allocation, and that in total they match available funding from Welsh Government through the settlement, as far as possible. This review will require input from all services around their annual level of need, and input from Cabinet, CSG and back bench Members on their priorities. Affordability and links to the Council Plan will guide those discussions and outcomes.

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 2024/25 revenue budget.

6.2 Staffing / ICT / accommodation implications

Each new project is required to complete a Project Business Case form and any specific implications are discussed at that stage by Capital Scrutiny Group.

6.3 Assessment of impact on Climate Change – Mitigation and Adaptation

New capital projects are subject to scrutiny by Capital Scrutiny 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.

7. What are the main conclusions of the Well-being Impact Assessment?

A full Impact Assessment has been completed for each capital bid reviewed by Capital Scrutiny Group. A copy of each individual Wellbeing Assessment is available in the members' library on the Modern.gov system.

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

Heads of Service approved the submission of the bids which were then reviewed by Capital Scrutiny Group. If approved by Cabinet, these proposals will form part of the full Capital Budget which will go to Council for approval on 27 February.

9. Chief Finance Officer Statement

The Capital Finance Budget currently stands at £15.243m (2023/24) which equates to approximately 6.1% of our net revenue budget. This is expected to rise materially in response to budget settlements being significantly below inflation. It is important that all aspects of the budget contribute to ensuring that the Council remains financially sustainable over the coming very difficult period. A reduction in the capital programme is something that Members have suggested the Council consider as part of overall work to set balanced budgets in the future. This needs to be considered alongside the requirement for the Council to 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 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 No capital project is without risk. However, all schemes are reviewed by Capital Scrutiny 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.