

Report To: Cabinet

Date of Meeting: 19 March 2013

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 2013/14 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 2013/14 capital plan, and recommends accordingly to full Council.

4. Report details

4.1 The Welsh Government's capital settlement for 2013/14 has seen a reduction of 15.4% (£888k) over 2012/13. 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 available funding for 2013/14 is shown below:

Source	Amount £000
General Capital Grant	1,844
Unhypothecated Supported Borrowing	3,022
Prudential Borrowing - Highways	4,108
Capital Receipts	1,661
Unspent Contingency b/f	933
Earmarked Reserves	353
Total	11,921
Funds already committed	360
Funds Available 2012/13	11,561

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

- Health & Safety Works at Ysgol Glan Clwyd, Ysgol Brynhyfryd and Rhyl High School - £360k

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 13 bids over a number of meetings. Appendix 1a contains the scoring criteria used to appraise projects.

4.8 Each bid was presented by a head of service. Some issues that arose from this process are detailed below:

- 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 £1.915m be allocated to Schools Capital Maintenance Works (an increase of £190k over 2012/13) and £450k 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.

- Highways have received £100k to support prudential borrowing as part of the revenue budget for 2013/14. This will allow approximately £1.65m of capital expenditure. In addition, the Welsh Government has provided £162k of revenue funding for Denbighshire to fund prudential borrowing, and together this will generate highways capital works of approximately £4.10m. In addition to this, it is proposed to support flood alleviation works of £338k, the replacement of dangerous street lighting columns and units - £100k and £1m block allocation for structural and other repairs including bridges. This gives a total proposed Highways capital programme of £5.5m for 2013/14.
- The Council has in previous years, built £1.0m contingency into the capital plan to deal with any unforeseen circumstances. Given the reduction in capital funding available from the Welsh Government, the Strategic Investment Group recommends reducing the contingency to £0.5m, but that the first £0.5m call on any future capital receipts be used to re-instate the level of contingency to £1.0m.
- The Strategic Investment Group have considered the ICT Strategy Ph 2 bid and note the requirement for capital investment to support improvements in technology and the Council's ambition for Modernisation. The group recommend £170k in support of this bid, subject to further work to determine the revenue budget requirement for this project.

4.9 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 £4.1m prudential borrowing to be supported from the revenue budget as approved by Council on 5th February 2013.
- Council Funds – These are funds such as general grants, capital receipts, and unspent contingency. This funding is for one year only.

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

- Lead Cabinet Member – Finance & Assets
- Lead Cabinet Member – Economic Development
- Lead Cabinet Member – Modernising and Performance
- Representative from each Scrutiny Committee
- Corporate Director – Economic and Community Ambition
- Head of Finance & Assets
- Head of Housing and Community Development

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 2013/14 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 being integrated into all future bids for capital projects.

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

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 Mod.Gov

9. Chief Finance Officer Statement

The Council must continue to invest appropriately in its assets. 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.

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.