

Report to	Council
Date of meeting	27 February 2024
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets
Report author	Liz Thomas, Head of Finance and Audit
Title	Capital Plan 2023/24 – 2026/27 and Recommendations of Capital Scrutiny Group

1. What is the report about?

The report updates Members on the 2023/24 Capital Plan and presents the 2024/25 Capital Plan for Council approval. The Capital Scrutiny Group recommendations of capital bids for inclusion in the 2024/25 Capital Plan are attached.

2. What is the reason for making this report?

To provide Members with an updated Capital Plan and the Capital Strategy Report for 2024/25. The Capital Plan records all actual and forecast Council Fund (CF) capital expenditure and funding. The Capital Strategy provides a high level, concise and comprehensive overview to Members of how both CF and Housing Revenue Account (HRA) capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.

3. What are the Recommendations?

- 3.1 Members note the latest position on the current Capital Plan 2023/24 – 2026/27 included in Appendix 1 and the update on major projects included in Appendix 2.
- 3.2 Members support the Capital Scrutiny Group recommendation of capital bids for inclusion in the 2024/25 Capital Plan. These recommendations are detailed in Appendix 3 and summarised in Appendix 4.

3.3 Members approve the 2024/25 Capital Plan included in Appendix 1.

3.4 Members approve the Capital Strategy Report for 2024/25 as detailed in Appendix 5.

4. Report details

4.1 Capital Plan 2023/24

The full Capital Plan was last reported to Council in February 2023. Monthly updates are presented to Cabinet. The estimated Capital Plan for 2023/24 is now £101.7m and is summarised by service area in Appendix 1, along with estimates of expenditure and funding over the years 2024/25 – 2026/27. Appendix 2 provides an update on the following major projects:

- Rhyl Queens Market Redevelopment
- Waste Services Remodelling
- 21st Century Schools Programme – Band B
- Central Prestatyn and Central Rhyl Coastal Defence Schemes

4.2 Capital Plan 2024/25

As widely reported, the Council faces a very challenging financial environment in the coming years due to inflationary and demand-led pressures far exceeding the level of forecast funding.

Due to the scale of the financial challenge the following principles have been agreed by Cabinet for capital schemes going forward:

- The Council should work towards capping the block allocations at the level of the capital funding received from Welsh Government.
- Urgent Health and Safety issues should be prioritised.
- Consideration given to Invest-to-save schemes, even if the benefit is reducing pressures in the medium term.
- Capital receipts or delays to other projects will be the only source of funding available for 2024/25 and 2025/26.

- 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 on any ongoing revenue impact of a capital grant.

The proposed strategy will allow the Council to identify resources as and when the need arises and within available funding restrictions.

4.3 Recommendations of Capital Scrutiny Group

Capital Scrutiny Group has reviewed capital bids and has made recommendations for inclusion in the Capital Plan from 2024/25 onwards. These are detailed in Appendix 3 and summarised in Appendix 4.

There is a need to review how the block allocations are funded in the capital budget. Work on reviewing the 2025/26 block allocations 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.

4.4 Capital Strategy 2024/25 (Appendix 5)

The Capital Strategy gives a high-level overview of how both CF and HRA capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

The Strategy includes the prudential indicators prescribed by the CIPFA Prudential Code. The Code requires authorities to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-run financing implications and potential risks to the authority. The prudential indicators required by the Code are designed to support and record local decision making in a manner that is publicly accountable.

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

It is necessary to ensure that the Capital Plan is fully funded as any cost overruns above the total available funding have to be funded from revenue budgets.

6.2 Staffing / ICT / Accommodation Implications

Each new project is required to complete a 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 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 summary of these is included in Appendix 6. The full reports can be accessed in the Members' Library via the following link: [Cynigion Cyfalaf – Capital Bids 2024 25](#)

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

All new capital projects / capital bids are scrutinised by the Capital Scrutiny Group. Projects are prepared and subsequently monitored in consultation with Heads of Service. The figures used in the reports are based upon the latest estimates available.

9. Chief Finance Officer Statement

- 9.1 No project should commence without being fully funded against a robust project plan and the project being discussed with the Capital Scrutiny Group.
- 9.2 Project sponsors need to exercise tight control over their capital expenditure to ensure that the projects remain within budgets.
- 9.3 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 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.