

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	21 January 2025
<b>Lead Member / Officer</b>	Lead Member for Finance, Performance and Strategic Assets / Head of Finance and Audit
<b>Report author</b>	Head of Finance and Audit
<b>Title</b>	Capital Block Allocations for inclusion in the 2025/26 Capital Plan.

## **1. What is the report about?**

Capital block allocations for inclusion in the 2025/26 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 2025/26 prepared by each service at its meeting on 29 November in preparation for the Capital Plan being considered by full Council at the end of January 2025.

## **3. What are the Recommendations?**

- 3.1 That Cabinet approves the principles for funding capital schemes set out within the report.
- 3.2 That Cabinet supports the projects shown in Appendix 2 for inclusion in the 2025/26 Capital Plan and recommends to full Council.

## **4. Report details**

- 4.1 The Council's Capital Plan encompasses investing significant resources in a broad range of assets for the long term to enable the delivery of public services. Assets

include buildings (such as schools, office accommodation and care homes), infrastructure (such as highways and ICT networks), and assets not owned by the Council (such as works to improve and adapt private sector homes).

- 4.2 Some capital schemes are one-off in nature, involving remodelling and / or investing in the way services are delivered in the future. Examples of recent schemes would include our school building programme, new waste and recycling operating model, North East Wales Archives, etc. Other capital schemes require an annual block allocation of capital funding. These can be capital schemes of a statutory / regulatory nature. Examples include providing support to improve and adapt private sector homes (Disabled Facilities Grants), adaptations to schools for children with disabilities and any works required to keep buildings open by meeting Health and Safety requirements. There are also capital schemes that maintain, improve, or lengthen the economic life of the retained assets and infrastructure that we use in delivering services. Examples of service areas included are schools, highways, and other properties etc.
- 4.3 The Council has limited capital resources from Welsh Government (WG) to support Council priorities, needs and liabilities; however, it has the powers to fund capital schemes by borrowing, but this is temporary and ultimately the cost and repayment of any borrowing is charged to the Council's revenue budget. Schemes funded by borrowing must be carefully considered due to the long-term impacts on the Council's revenue budget.
- 4.4 In setting the revenue and capital budgets for 2024/25, the Council recognised the need to limit the impact of the capital plan on the revenue budget and approved the following approach and principles in determining support for capital projects:
- The Council to work towards capping the block allocations at the level of the capital funding from WG.
  - Urgent Health and Safety issues to be prioritised.
  - Consideration to Invest-to-Save schemes where benefit is reducing revenue pressures in the short and/or 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.

4.5 In setting the 2025/26 Capital Plan at meetings in July and November, Capital Scrutiny Group considered how to build on the broad principles developed in 2024/25. They focused on reducing the block allocations towards the level of capital funding received from Welsh Government, which at this stage was assumed to be the same as the 2024/25 funding (£6.185m).

4.6 Services presented how the allocations will be spent in 2025/26 and provided an assessment of the impact and risk of any reduction in funding for Members' consideration and scrutiny. This review required 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 guided those discussions and outcomes. The total of the block allocations for 2025/26 supported by CSG at its November meeting is £7.227m (reduced from £8.362m in 2024/25). A narrative to support the recommendations of the Capital Scrutiny Group is included as Appendix 1.

4.7 Appendix 2 shows the proposed block allocations, with the recommended funding source for each entered in the appropriate column. The proposed blocks in 2025/26, though reduced from 2024/25, still require £1.542m to be funded from capital receipts, reserves and to a much lesser extent prudential borrowing. The following points have been considered:

- Statutory nature of some schemes, for example Disabled Facilities Grant
- Revenue consequences for some schemes, for example reducing the allocation for minor adaptations, community equipment and telecare could lead to packages of social care being commissioned.
- Not allocating further funding in 2025/26 to block allocations that have some slippage built up from prior years and taking a single year approach for those block allocations to spend what funding they already have. This is unlikely to be sustainable going into 2026/27.
- Allocating less to some of the larger block allocations for property and highways in recognition that some expenditure can be deferred into future years. It should, however, be noted that, in real terms, allocations have effectively been reduced for

a number of years due to above inflation increases to construction costs etc, and necessary works are now building up.

4.8 In December, Welsh Government announced the capital funding available in the Local Government Provisional Settlement. Denbighshire's allocation for 2025/26 is £6.945m, this is £0.760m higher than the assumed funding level above. This additional funding is shown in Appendix 2 as additional contingency for now, while we await further information from WG on additional Capital grants available in 2025/26 which will assist in determining how to allocate the additional funding.

## **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 2.

### **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 28 January.

## **9. Chief Finance Officer Statement**

The Capital Finance Budget currently stands at £20.534m (2024/25) which equates to approximately 7.6% of our net revenue budget. 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.

## **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 regular 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.