

Report to	Council
Date of meeting	28 January 2025
Lead Member / Officer	Lead Member for Finance, Performance and Strategic Assets
Report author	Head of Finance and Audit
Title	Capital Plan 2024/25 – 2027/28

1. What is the report about?

The report updates Members on the 2024/25 Capital Plan and presents the 2025/26 Capital Plan for Council approval. The Capital Scrutiny Group have reviewed the capital bids for inclusion in the 2025/26 Capital Plan and their recommendations have been considered by Cabinet 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 2025/26. 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 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. The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve a Capital Strategy and Prudential Indicators annually.

3. What are the Recommendations?

- 3.1 Members note the latest position on the current Capital Plan 2024/25 – 2027/28 included in Appendix 1 and the update on major projects included in Appendix 2.

3.2 Members support the recommendations of the Capital Scrutiny Group and the Cabinet for capital bids to be included in the 2025/26 Capital Plan as detailed in Appendix 3 and summarised in Appendix 4.

3.3 Members approve the 2025/26 Capital Plan included in Appendix 1.

3.4 Members approve the Capital Strategy and Prudential Indicators for 2025/26 as detailed in Appendix 5.

4. Report details

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).

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.

4.1 Capital Plan 2024/25

The full Capital Plan was last reported to Council in February 2024. Regular updates are presented to Cabinet. The estimated Capital Plan for 2024/25 is now £81.8m and is summarised by service area in Appendix 1, along with estimates of expenditure and funding over the years 2025/26 – 2027/28. Appendix 2 provides an update on the following major projects:

- Waste Services Remodelling
- Central Prestatyn and Central Rhyl Coastal Defence Schemes

4.2 Capital Plan 2025/26

As widely reported, the Council faces financial challenges, as do all Welsh councils, due to inflationary and demand-led pressures exceeding the level of forecast funding.

Due to the scale of the financial challenge the following principles have been previously agreed 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 (WG).
- 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.
- 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.

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 2025/26 onwards. These are detailed in Appendix 3 and summarised in Appendix 4.

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

Business cases were presented by services showing how allocations would be spent and providing an assessment of the impact and risk of any reduction in funding for Members' consideration and scrutiny. 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), with £6.185m to be funded from WG capital funding and £1.542m to be funded from capital receipts, reserves and to a much lesser extent prudential borrowing.

In December, Welsh Government announced the 2025/26 capital funding available in the Local Government Provisional Settlement. Denbighshire's allocation is £6.945m,

this is £0.760m higher than the assumed funding level above. This additional funding is shown in Appendix 4 as additional contingency. As further information from WG on additional Capital grants available in 2025/26 will become clearer over the coming months, some of which will complement the block allocations, and assist the Council in determining how best to allocate the additional funding.

4.4 Capital Strategy 2025/26 (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?

Each new project is required to complete a business case form where capital and revenue costs and funding are considered alongside an assessment of impact on staff, ICT, accommodation and 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.

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. Project sponsors need to exercise tight control over their capital expenditure to ensure that the projects remain within budgets.

9.2 It is important that all aspects of the budget contribute to ensuring that the Council remains financially sustainable. 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. In recent years the real terms value of funding from Welsh Government has meant the Council has had 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 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 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.