

Title of report: 2024/25 Capital Investment Budget

Meeting: Scrutiny Management Board

Meeting date: Wednesday 10 January 2024

Cabinet member: Peter Stoddart, Finance and corporate services

Report by: Strategic Capital Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To seek the views of scrutiny management board on the capital investment budget proposals for 2024/25 onwards.

Recommendation(s)

That:

- a) **Having regard to the capital investment proposals in appendix a, the committee notes the Capital Investment Budget, and**
- b) **The committee determines any recommendations it wishes to make to Cabinet in relation to the revised capital programme in appendix b.**

Alternative options

1. There are no alternatives to the recommendations; Cabinet is responsible for developing budget proposals for Council consideration and it is a function of this committee to make reports or recommendations to the executive with respect to the discharge of any functions which are the responsibility of the executive. The council's budget and policy framework rules

require Cabinet to consult with scrutiny committees on budget proposals in order that the scrutiny committee members may inform and support the process for making Cabinet proposals to Council.

2. It is open to scrutiny management board to recommend alternative spending proposals or strategic priorities; however given the legal requirement to set a balanced budget, should additional expenditure be proposed compensatory savings proposals must also be identified.

Key considerations

3. The capital programme reflects capital investment generating benefit to the county for a period in excess of one year. The profiling of the capital spend and forecasting against budget is reported to Cabinet in the quarterly performance report, which includes an up to date forecast of the timing of capital spend.
4. Appendix A provides details of the proposed additions to the existing capital programme that have been identified and the impact of approving these additions. Seven capital investment budget proposals totalling £7.63m have been identified, to be funded by prudential borrowing. Appendix C provides strategic outline business cases for each proposed project.
5. Council will be asked to approve the revised capital programme on 9 February 2024. At the same meeting Council will also be asked to approve the updated capital strategy.

Community impact

6. The budget proposals demonstrate how the council is using its financial resources to deliver the priorities within the County Plan and associated delivery plan.
7. The council is committed to delivering continued improvement, positive change and outcomes in delivering key priorities.
8. In accordance with the principles of the code of corporate governance, the council is committed to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development, and review.

Environmental Impact

9. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
10. Whilst this overarching budget setting document will not detail specific environmental impacts, consideration is always made to minimising waste and resource use in line with the council's environmental policy. A specific environmental impact assessment for the service specific budget proposals will be considered as appropriate to seek to minimise any adverse environmental impact and actively seek opportunities to improve and enhance environmental performance.

Equality duty

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
12. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Service specific equality impact assessments will be completed when the service specific proposals are developed to assess the impact on the protected characteristic as set out in the Equality Act 2010. The duty means that the potential impact of a decision on people with different protected characteristics is always taken into account. When these assessments have been completed, we will consider mitigating against any adverse impact identified.

Resource implications

16. The proposed additions at appendix A total £7.63m over the next four years. This is all to be financed from prudential borrowing funded by the corporate revenue budget. Where projects are in the capital programme but they depend on grant, if the grant request is not successful, the full project including any match funding will be removed unless a revised project is approved within the revised allocations.

Scheme	Capital Grant funding £000	Redirected funding £000	Capital receipt funding £000	Funded by ROI £000	Corporate Funded PB £000	Total Request £000
Schools Accessibility	0.0	0.0	0.0	0.0	1,500.0	1,500.0
Children's residential homes for 11 to 18 year olds	0.0	0.0	0.0	0.0	424.0	424.0
Planning & Regulatory Services software	0.0	0.0	0.0	0.0	1,396.0	1,396.0
Estates Building Improvement Programme 2024-27	0.0	0.0	0.0	0.0	2,765.6	2,765.6
Building works from 2022 Condition Surveys	0.0	0.0	0.0	0.0	745.0	745.0
VMWare Host Replacement	0.0	0.0	0.0	0.0	247.5	247.5
Property Improvements in Care Homes	0.0	0.0	0.0	0.0	550.0	550.0
Total	0.0	0.0	0.0	0.0	7,628.1	7,628.1

17. The corporate revenue implications of securing this new borrowing is supported in the current Medium Term Financial Strategy and Treasury Management Strategy which included an estimation of £6.7m new prudential borrowing per annum over the strategy period.

Funding Position	24/25	25/26	26/27	27/28	Total
Total Corporate Borrowing Required	5,428.4	1,579.7	620.0	-	7,628.1
Annual Funding Limit	6,700.0	6,700.0	6,700.0	6,700.0	26,800.0
Unspent 22/23 borrowing to reallocate	150.7	-	-	-	150.7
Unspent 23/24 borrowing estimated	777.3	-	-	-	777.3
Allocated Previously	- 6,700.0	- 6,700.0	- 6,700.0	-	- 20,100.0
Total Funding Available	928.0	0.0	0.0	6,700.0	7,628.0
Funding Variance	-4,500.3	-1,579.7	-620.0	6,700.0	-0.0

18. The additional borrowing requirement is reflected in an update to the Treasury Management Strategy. Although the above table reflects advance borrowing of the 2024/25 allowance, it is believed the additional cash balances held in reserves and slippage of the capital programme each year will ensure the costs of borrowing for these new projects will be offset within the existing budget. The revised capital programme approved at council 8 December 2023 reprofiled £5.3m corporate funded borrowing from earlier years to 2026/27, which more than covers the amount now added for 2024/25.
19. Individual capital scheme resourcing implications will be detailed in the approval to precede decision. Appendix C contains the strategic outline business cases for each of the new projects.
20. An informal review of all prospective capital funding requests has been completed to ensure all funding requests were manageable within the current borrowing limits in the medium term financial strategy.

Legal implications

21. The council is under a legal duty to sensibly manage capital finance. The council is able to borrow subject to limits set by the council, any nationally imposed limits, and it must do so in accordance with the prudential code on borrowing.
22. The Local Government Act 2003 allows the council to borrow for any purpose relevant to its functions under any enactment and for the purposes of the prudent management of its financial affairs.
23. Full Council is responsible for adopting the capital investment budget (referred to above as the capital programme) for the next financial year. Local Authorities deliver a range of services some of which are required to be undertaken under statutory duties and others which are a discretionary use of statutory powers. Local Authorities' powers and duties are defined by legislation. The Localism Act 2011 provides a General Power of Competence under Section 1, which provides local authorities with the power to do anything that an individual may do, subject to limitations. Capital expenditure is defined under the Local Government Act 2003. It is

therefore not only schemes that are necessary for the council to meet its statutory duties, which can be approved. Any scheme must be procured in accordance with the council's own contract procedure rules and appropriate contractual documentation put in place to protect the council's interests.

24. The Council's budget and policy framework rules require that the chairmen of the scrutiny management board shall take steps to ensure that the relevant committee work programmes include any budget and policy framework plan or strategy, to enable scrutiny members to inform and support the process for making Cabinet proposals to Council.
25. Section 106 of the Local Government Finance Act 1992 restricting councillors voting on certain matters where they are in arrears of council tax, does not apply to scrutiny function as the views from scrutiny on the budget are not a recommendation for approval, a resolution or any other type of decision. As a result a s106 check of councillors arrears has not been undertaken.

Risk management

26. For all capital projects monthly budget control meetings give assurance on the robustness of budget control and monitoring, to highlight key risks and to identify any mitigation to reduce the impact of pressures in the council's overall position for example through phasing of spend, identifying and securing scheme changes or alternative funding sources.
13. Capital projects inherently give rise to risks in their delivery, both in time and budget. Individual scheme reporting and associated project boards exist to mitigate these risks. Furthermore slower delivery than forecast can mean the strategic ambitions are not being met as planned. All projects are expected to be managed through the programme management office once resources are in place, so further mitigating the risk of overspend or delays.
27. The proposed additions have been reviewed in relation to risks, both in deliverability, costs, impact and associated scheme interdependencies. The individual scheme detail of the risks will be provided as individual schemes progress to approval to deliver.

Consultees

28. The council's constitution states that budget consultees should include parish councils, health partners, the schools forum, business ratepayers, council taxpayers, the trade unions, political groups on the council, the scrutiny committees and such other organisations and persons as the leader shall determine.
29. The draft paper was considered at cabinet on 14 December 2023, with the additions supported by other group leaders. The only change since that meeting is an increase to the property budget of £0.3m which is funded by further underspend in 23/24 of projects delivering under budget and the corporate borrowing to be reallocated.
30. An online public consultation is currently open and the results of this will be published for the Council meeting in February 2024. The main focus of the consultation was on council tax setting and the savings that needed to be identified to enable a balanced revenue budget to be presented due to the current pressures but is also seeking views on the disposal of assets.
31. During the year Parish Councils have been continually been consulted on S106 income held and discussed what will be delivered to ensure these funds are appropriately spent within the timeframes required.

Appendices

Appendix A: Capital funding requests for approval

Appendix B: Four year capital programme and funding requirements

Appendix C: Strategic Outline Business Cases to support capital investment proposals

Background papers

None identified