

## **For publication**

### **General Fund Capital Programme 2019/20**

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Meeting:	Cabinet Council
Date:	26 February, 2019 27 February, 2019
Cabinet portfolio:	Deputy Leader
Report by:	Director of Finance & Resources

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### **1.0 Purpose of report**

- 1.1 To approve the General Fund Capital Programme for the financial year 2019/20.

### **2.0 Recommendations**

That the Cabinet recommends to the full Council that:

- 2.1 The updated General Fund Capital Programme expenditure and financing be approved (**Appendix A**).

### **3.0 Background**

- 3.1 The Capital Programme for 2018/19 was approved as part of the budget setting process in February 2018. Updates to the Programme were included in the budget monitoring reports to the full Council on 18<sup>th</sup> July 2018 and 12<sup>th</sup> December 2018.
- 3.2 Major capital additions to the programme during the year have been the IT Transformation Project at £5.7m over the next 10 years, additional Winding Wheel refurbishment works at £0.3m, additional expenditure for repairs to Beetwell Street Car Park at £0.2m and repairs to Barrow Hill Railway Bridge at £0.1m.
- 3.3 The Programme is heavily dependent on financing from capital receipts but in the current economic climate generating the receipts continues to be a challenge. Kier continue to provide an accelerated receipts programme which is incentivised through a commission payment on the receipts generated.

#### **4.0 Updated Expenditure Forecasts**

- 4.1 **Updated Programme** – An updated capital programme forecast (expenditure and financing) is included at **Appendix A**. The Programme covers the current financial year and three years ahead. A commentary on the most significant schemes in the Programme is provided below.
- 4.2 **New Schemes** - the updated programme includes the schemes that were added to the Programme during the financial year.
- 4.2.1 The schemes that were approved by the full Council or Cabinet and added to the Capital Programme in the year include:
- IT Transformation Project, £5.7m over 10 years approved 25<sup>th</sup> April 2018;
  - Further Winding Wheel Improvements, £335k approved 20<sup>th</sup> February 2018;
  - Additional expenditure for Beetwell Street Car Park (repairs), £200k approved 18<sup>th</sup> July 2018;

- Barrow Hill Railway Bridge repairs, £100k approved 18<sup>th</sup> July 2018.

4.2.2 Other fully funded schemes that have been added to the Programme include:

- Somersall Park Play Area, £48k funded by Friends of Somersall Park contribution and S106 contribution;
- King George V, Staveley Play Area, £50k funded by Viridor grant;

### 4.3 **Progress on Current Major Schemes**

4.3.1 **Northern Gateway (Rebuild of Saltergate Multi-Storey Car Park)** – Council approved the demolition and rebuilding of the car park on this site as a more cost effective solution than refurbishment. The car park closed to the public on 3<sup>rd</sup> February 2018 ahead of demolition works. Rebuild works commenced in the autumn of 2018 and are due to be completed late spring 2019. Works on the project remain on budget.

4.3.2 **Winding Wheel Refurbishment Works** – this scheme provided refurbishment works to enhance the appearance of the Winding Wheel to assist in our efforts to promote the venue to hirers. The scheme was completed in September 2018 on time and on budget.

4.3.3 **Artificial Sports Pitches – Former Queens Park Site** – work is scheduled to begin on site in March 2019 with the majority of the work due to take place in 2019/20.

4.3.4 **IT Transformation Programme** – Council approved the IT Transformation Programme in April 2018. In the autumn of 2018 the new Head of ICT Improvement took up his post. The project is due to be delivered over the next 10 years, with the

majority of the capital spend occurring in the financial years 2018/19 to 2020/21.

#### 4.4 **Recurring Schemes**

4.4.1 **Disabled Facilities Grants** – the original capital programme included £1.0m for 2018/19. However Derbyshire County Council, who holds the Better Care Fund, confirmed an allocation of £1.3m for this year, of which £317k will be used to fund Home Repairs Assistance Grants. In addition, the revised 2018/19 capital programme includes further DFG expenditure of £700k to be financed from the Disabled Facilities Grant allocation carried forward from 2017/18.

4.4.2 **Vehicle and Plant Reserve** – services make regular contributions from their revenue budgets into the Reserve to ensure that as and when vehicles and plant need replacing the resources are in place. Any Vehicle & Plant expenditure included in the Capital Programme is, therefore, fully funded by a transfer from the Vehicle and Plant Reserve.

### 5.0 **Capital Financing**

5.1 **Financing Resources** – the capital financing resources forecast is shown in **Appendix A**. The main sources of capital finance and how they are being used to fund the current capital programme are summarised below:

- **Borrowing** – capital expenditure can be financed from borrowing provided the borrowing is affordable, prudent and sustainable. The current Capital Programme includes borrowing that the Council has previously approved of £3m for Saltergate Multi-Storey Car Park. The aim has been to repay borrowing as soon as possible from revenue savings generated by the schemes or by setting aside capital receipts from asset sales. However due to the ongoing scarcity of capital receipts and the need for

investment on several schemes, other borrowing will be required to finance the capital programme.

- Grants and contributions:  
2018/19 - £7.9m in total including £5.5m SCRIF contribution for Chesterfield Waterside Basin Square, Peak Resort and Northern gateway schemes, £2.0m DFG's (including carry forward from 2017/18), £0.11m Viridor contributions towards play area schemes and £0.13m Flood Relief Grant.  
  
2019/20 - £1.0m in total including £0.3m SCRIF contribution to Northern Gateway scheme and £0.65m DFG's.  
  
2020/21 - £0.66m in total including £0.65m DFG's.  
  
2021/22 - £0.66m in total including £0.65m DFG's.
- Reserves - contributions from earmarked reserves towards ICT, vehicle and plant replacements and match funding contributions re other grant funded schemes.
- Capital Receipts – see below.

5.2 **Capital Receipts Flexibility** – the general rule is that capital receipts can only be used either to repay debt or to finance new capital expenditure. However, in the Local Government Grant Settlement 2015 the Government included a new flexibility to allow the use of capital receipts secured between 1<sup>st</sup> April 2016 and 31<sup>st</sup> March 2019 to fund revenue expenditure, provided that the expenditure is on transformation projects which are designed to deliver on-going savings. In the Local Government Grant Settlement announced in December 2017 this flexibility was extended for a further three years to 31<sup>st</sup> March 2022.

5.3 To take advantage of this flexibility, full Council would need to approve a strategy giving details of any projects to be funded in this manner, the level of revenue savings expected and show the impact of this on our prudential indicators. All spend would have to be incurred by March 2022.

- 5.4 The Council is proposing to use capital receipts flexibility to fund part of the IT Transformation programme. Further information can be found in the 2019/20 Budget and Medium Term Financial Plan report.
- 5.5 Capital receipts - are only included in the programme once potential disposals have been identified and the property concerned is being actively marketed. Kier continue to provide additional resources to help accelerate the sale of assets in return for a commission payment on the sales concluded. Given the experience of recent years where the planned receipts at the start of the year were not achieved a more prudent approach has now been adopted for forecasting future receipts. Officers will continue to review whether additional resources are required to further accelerate disposals.

The capital receipts included in the Programme at Appendix A are:

2018-19 – receipts in respect of Ashgate Road Car Park, 87 New Square and Spital Cemetery Chapel have been received during the year. Total forecast receipts for 2018/19 are £1.6m.

2019-20 – receipts of £4.1m have been assumed.

2020/21 – receipts of £4.1m have been assumed.

2021/22 – receipts of £0.2m have been assumed.

The receipts forecasts are continually changing as delays are encountered on some disposals such as assets having to be re-marketed when sales fall through or when there are opportunities to accelerate others.

## **6.0 Net Financing Position**

6.1 The funding surpluses / (deficits) for each of the financial years covered by the updated capital programme are summarised in the table below:

<b>Forecast of Capital Resources Surplus / (Deficits) - £'000</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
In year surplus	2,064	(3,037)	41	13

**The forecasts are based on the latest profile of expenditure on currently approved schemes only i.e. before the inclusion of any new schemes.** The key points to note are:

- 2018/19 – an in- year surplus of £2.1m is forecast due to re-profiling of the capital programme. This surplus will be carried forward to finance the estimated deficit in 2019/20.
- 2019/20 – an in- year deficit of £3.0m is forecast based on a prudent level of capital receipts (£4.1m) and prudential borrowing of £0.8m. This deficit will be financed from the cumulative surplus carried forward from 2018/19.
- 2020/21 – an in- year break even position is forecast based on a prudent level of capital receipts (£4.1m).
- 2021/22 – an in-year break even position is forecast based on a prudent level of capital receipts (£0.2m).

## **7.0 Growth Requests**

7.1 The forecast Capital Programme in **Appendix A** shows that based on current forecasts there will be no surplus resources available to fund new schemes without PWLB/internal borrowing. In this climate new schemes can only be added to the Programme where:

- (a) They are aligned with a Council Plan priority; and

(b)The additional funding required has been identified and secured.

Where the funding cannot be identified the schemes will be added to a prioritised list of growth requests and added to the Programme as resources become available.

7.2 The options for creating some additional financing resource include:

- Identifying new assets for a quick disposal to generate capital receipts;
- **Prudential borrowing** where there is a strong invest-to-save case which shows that the borrowing costs are affordable and sustainable.
- Securing external **grant** support.

7.3 Starts on any scheme that is included in the Capital Programme will not be made until the Cabinet has approved the detailed business case.

7.4 There are currently no outstanding growth requests awaiting inclusion in the capital programme.

## 8.0 Risk Management

8.1 The risks relating to the capital programme generally are set out in the table below. For individual capital projects the risks are considered in detail at the project appraisal stage.

Description of the Risk	Current Risk		Mitigating Action	Target Risk	
	Impact	Likelihood		Impact	Likelihood
Overspends on schemes	Medium (3)	Possible (3)	Effective planning & monitoring	Medium (3)	Unlikely (2)
Slippage on schemes	Medium (3)	Likely (4)	Regular and effective monitoring	Medium (3)	Unlikely (2)
Capital receipts – disposals delayed or	Very High (5)	Likely (4)	Control starts on uncommitted schemes until finance in place.	High (4)	Possible (3)

unable to complete			Include only planned disposals in resources forecast. Borrow internally from reserves or short term prudential borrowing.		
Reductions in Government Grants	High (4)	Possible (3)	Other external funding opportunities. Asset Management Plan to generate capital receipts.	Medium (3)	Possible (3)
Lack of capacity to deliver a number of major schemes at the same time	High (4)	Likely (4)	Carefully manage the number of projects and hence risks in play at any one time.	Med (3)	Unlikely (2)
Exempt VAT recovery – a number of current schemes have exempt VAT implications. The cumulative impact could cause the Council to exceed its exempt VAT recovery threshold and then be unable to recover <u>any</u> exempt VAT in that year.	V. High (5)	Possible (3)	Starts on schemes delayed until VAT issues resolved. In-year monitoring. VAT planning for a number of years ahead. Obtaining expert external advice.	V. High (5)	Unlikely (2)

## 9.0 Equalities Impact Assessment (EIA)

9.1 The equalities issues relating to particular capital projects are considered separately at the project appraisal stage.

## **10.0 Alternative Options to be Considered**

10.1 The proposed Capital Programme is based on the previously approved schemes within the current Capital Programme plus the addition of new schemes recommended by the Senior Leadership Team. Previous commitments could be reviewed and other priorities determined for growth requests.

## **11.0 Recommendations**

That the Cabinet recommends to the full Council that:

11.1 The updated General Fund Capital Programme expenditure and financing be approved (**Appendix A**).

## **12.0 Reasons for recommendations**

12.1 To update the Council's General Fund Capital Programme and ensure that it is affordable and deliverable over the medium term.

<b>Glossary of Terms</b>	
SCRIF	Sheffield City Region Investment Fund

### **Decision information**

<b>Key decision number</b>	<b>869</b>
<b>Wards affected</b>	<b>All wards</b>
<b>Links to Council Plan priorities</b>	To become financially self-sufficient by 2020.

### **Document information**

<b>Report author</b>	<b>Contact number/email</b>
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<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
<b>Appendices to the report</b>	
Appendix A	General Fund Capital Programme