For publication

General Fund Capital Programme 2024/25

Meeting:	Cabinet Council
Date:	27th February 2024 28th February 2024
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Purpose of report

1.1 To approve the General Fund Capital Programme for the financial year 2024/25.

2.0 Recommendation

That Cabinet recommends to full Council that:

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

3.0 Reasons for recommendation

3.1 To ensure the Council is able to make capital investments to support delivery of its stated vision and priorities, as set out within the Council Plan 2023 – 2027, and to evidence that such expenditure is appropriately funded.

4.0 Report Details

Background

4.1 This report sets out the draft General Fund Capital Programme, incorporating capital expenditure and financing arrangements for the financial years 2023/24 through 2027/28. The Capital Programme is aligned to the Capital Strategy and presents, in financial terms, the Council's plans for investment related purchasing, building and improvement of capital assets.

4.2 The Capital Programme is an ambitious one evidencing investment of £12.9m in 2023/24 and plans for a further £39.4m of investment from 2024/25 through 2027/28, enabling substantial regeneration to take place in and around the Borough and allowing the council to meet all necessary capital expenditure requirements to support delivery of its vision and priorities.

4.3 The Capital Programme for 2023/24 was approved as part of the budget setting process for that financial year, in February 2023. An update to the Programme was included in the budget monitoring report to Cabinet on 19th September 2023.

4.4 The Capital Programme is dependent in part on financing from borrowing. The revenue implications of any such borrowing are considered before schemes are included in the Capital Programme.

Updated Expenditure Forecasts

4.5 **Updated Programme** - An updated Capital Programme forecast (expenditure and financing) is included at Appendix A. The Programme covers the current financial year and the following four financial years. A commentary on the most significant schemes in the Programme is provided below.

4.6 **New Schemes** - the updated programme includes the following schemes that have already been approved by Cabinet and added to the Capital Programme during the financial year:

- Relocation of Customer Service Centre (£157k), approved by Cabinet on 20th June 2023. Relocation of the Customer Service Centre to Chesterfield Town Hall will enable the Council to maximise the use of its operational assets whilst also reducing liability for ongoing maintenance and operational running costs. It will also enable the council to continue to modernise service delivery, providing access for the borough's residents and businesses to a greater number of public services from Chesterfield Town Hall.

- Various Play Area schemes (£271k), approved by Cabinet on 14th March 2023. The schemes involve a range of improvements and enhancements to the Borough's play areas and open spaces, and are funded from a mixture of UK Shared Prosperity Fund (UKSPF) grant funding, Viridor grant funding and Community Infrastructure Levy contributions.

Progress on Current Major Schemes

4.7 Hollis Lane Link Road – the new Jewson depot on Sheffield Road was officially opened in May 2022. Construction work on Phase 1 of the Hollis Lane Link Road is expected to commence later this financial year.

4.8 Revitalising the Heart of Chesterfield – the public realm works to Packers Row were completed in December 2022. Scheme designs have now been completed and invitations to tender for the main contract packages have recently been released to the market.

4.9 Stephenson Memorial Hall – the main contractor started works on site in November 2023. Works are progressing well, and completion is scheduled for 2025.

4.10 Staveley Town Deal –Derbyshire Rail Industry Innovation Vehicle (DRIIVe) – the council has recently granted planning consent for the scheme. The scheme will now be progressed to the next RIBA stage ahead of the release of invitations to tender for the main contract packages.

Recurring Schemes

4.11 Disabled Facilities Grants (DFGs) – Derbyshire County Council (DCC), who hold the Better Care Fund, confirmed an initial allocation of £1.4m for the 2023/24 financial year, of which £250k will be used to fund Home Repairs Assistance Grants plus an additional in-year allocation of £0.12m. The Capital Programme in future financial years includes DFG expenditure of £3.1m from allocations carried forward from previous financial years. This carry forward has arisen due to delays in DFG processing systems which are outside of the council's control and mirrored across all other Derbyshire districts. The council is currently working closely with DCC and the other Derbyshire districts on a transformation programme aimed at speeding up the processing of DFG applications and the delivery of adaptations in people's homes.

4.12 Green Homes Grants – it has been confirmed that the council has been allocated additional Green Homes Grant of £550k in 2023/24 and £848k in 2024/25. The council is currently working with its partner EON to deliver these grants within the specified timeframes.

Capital Financing

4.13 Financing Resources – The main sources of capital finance and how they are being used to fund the current Capital Programme are shown in Appendix A and summarised below:

- Borrowing – capital expenditure can be financed from borrowing provided the borrowing is deemed value for money and meets the criteria set out in the Prudential Code i.e., affordable, prudent, and sustainable. The current Capital Programme includes borrowing that the Council has previously approved of £8.1m. As the new additions to the capital programme are to be funded from grant or reserves no further borrowing will be required.

- Grants and contributions – these are external funds that are either provided by the Government and ring-fenced for specific activities or secured from other sources to deliver specific projects. Grant funding, of

£38.7m, is a significant element of how the General Fund Capital Programme is currently resourced. Further details are set out below:

- 2023/24 - £8.5m in total including £4.7m Levelling Up Fund grant, £1.4m Staveley Town Deal grant and £1.7m Better Care Fund grant (for DFGs).

- 2024/25 - £23.9m in total including £13.0m Levelling Up Fund grant, £6.8m Staveley Town Deal grant and £2.2m Better Care Fund grant (for DFGs).

- 2025/26 - £3.3m in total including £2.1m Better Care Fund grant (for DFGs).

- 2026/27 - £2.1m of Better Care Fund grant (for DFGs).

- 2027/28 - £0.8m of Better Care Fund grant (for DFGs).

- Reserves – these are contributions from earmarked reserves towards vehicle and plant replacements and match funding contributions towards other grant funded schemes, including £3.1m in respect of Stephenson Memorial Hall and £0.8m in respect of DRIIVe.

4.14 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, the Government allows the use of capital receipts to fund revenue expenditure, provided that the expenditure is on transformation projects which are designed to deliver on-going savings. This is known as capital receipts flexibility and the Government has confirmed that this flexibility will remain in place until 31st March 2030. Consultation on options for extending this flexibility to allow capital receipts to be used for other purposes has recently taken place and further details on the outcome of this consultation are expected shortly.

4.15 To take advantage of the current rules relating to the use of capital receipts flexibility, full Council must first approve a strategy setting out details of any projects to be funded in this manner, the level of revenue savings expected and the impact of the use of such receipts on our prudential indicators. All spend would have to be incurred by 31st March 2030.

4.16 The council is using capital receipts flexibility to part fund its current ICT Transformation programme and also plans to use the flexibility to fund the redundancy costs associated with implementation of the corporate VR/VER scheme.

4.17 Further information on the council's use of capital receipts flexibility, including the Flexible Use of Capital Receipts Strategy Revised 2023/24 & 2024/25, can be found in the 2024/25 General Fund Revenue Budget report.

4.18 Capital receipts – these are only included once potential land and property assets have been identified for disposal and the assets concerned are being actively marketed. When identifying potential assets for disposal, priority is given to disposing of land and property that are surplus to requirements and/or from which the council is unable to achieve a reliable and sustainable revenue stream. The following capital receipts are identified in the Programme at Appendix A:

- 2023/24 – this mainly comprises the receipt achieved in respect of council land sold at Linacre Road. Total forecast receipts for 2023/24 are £1.8m.

- 2024/25 – receipts of £3.8m have been assumed.

- 2025/26 – receipts of £1.5m have been assumed.

- 2026/27 – no capital receipts have yet been identified for 2026/27 or 2027/28.

4.19 Capital receipts forecasts are continually changing as delays are encountered in relation to some disposals whilst opportunities arise to accelerate others.

4.20 Any capital receipts received in excess of the levels required to fund the current capital programme will either be earmarked for re-investment in the council's operational and non-operational assets over the next four years or utilised to fund transformational activities in line with the terms of the Capital Receipts Flexibility permissions detailed in paragraph 4.14.

Revenue Implications

4.21 All capital expenditure which is not financed through grants, capital receipts or reserves will need to be financed over time by making a Minimum Revenue Provision (MRP). A MRP is a revenue cost to the General Fund Revenue Budget.

4.22 MRP contributions generally commence from the financial year after the asset becomes operational, for example, the additional MRP required in respect of the Stephenson Memorial Hall project will commence in the financial year 2026/27.

4.23 The revenue implications for the General Fund Revenue Budget of any additional MRP contributions are considered before schemes are included in the Capital Programme, and no starts on any scheme will be permitted until the council's Cabinet has approved the detailed business case.

4.24 Further information on matters relating to the MRP can be found in the Treasury Management Strategy Report 2024/25.

5.0 Alternative options

5.1 The option exists to decommission one or more of the schemes included within the proposed Capital Programme. However, this is not recommended on the basis that all of the current schemes align with Council Plan priorities for the period 2023 through 2027, and appropriate sources of funding have been identified to support delivery.

6.0 Implications for consideration – Financial and value for money

6.1 The financial and value for money implications of the council's Capital Programme are considered in section 4 of the report.

7.0 Implications for consideration – Legal

7.1 There is a legal requirement for the Council to set a balanced budget before the start of each financial year. The recommended Capital Programme does not fetter the council's ability to comply with this legal obligation.

8.0 Implications for consideration – Human resources

8.1 There are no human resource implications arising from this report.

9.0 Implications for consideration – Council Plan

9.1 The ability for the council to appropriately manage and fund its Capital Programme is critical to the continued delivery of the full range of council facilities and services, and also the council's vision and priorities, as set out in the Council Plan. The relationship of individual schemes to the Council Plan are considered in detail when the schemes come forward to the council's Cabinet for appraisal and approval.

10.0 Implications for consideration – Climate Change

10.1 A climate change impact assessment is not required for the overall Capital Programme. These assessments are included within the reports prepared for the council's Cabinet in relation to each scheme prior to their inclusion in the Capital Programme and will differ from scheme to scheme.

11.0 Implications for consideration – Equality and diversity

11.1 An equality and diversity impact assessment is not required for the overall Capital Programme. These assessments are included within the reports prepared for the council's Cabinet in relation to each scheme prior to their inclusion in the Capital Programme and will differ from scheme to scheme.

12.0 Implications for consideration – Risk management

12.1 The perceived risks relating to the overall Capital Programme are set out in the table below. For each individual capital scheme the risks are considered in detail when the schemes come forward to the council's Cabinet for appraisal and approval.

Description of the Risk	**Current Risk**		**Mitigating Action(s)**	**Target Risk**	
	Impact	**Likelihood**		**Impact**	**Likelihood**
Overspends on schemes	H	M	Effective scheme planning, delivery oversight and monitoring	M	L
Slippage on schemes	M	M	Effective scheme planning, delivery oversight and monitoring	M	L
Capital receipts – disposals delayed or unable to complete	H	M	Control starts on schemes until finance in place. Include only planned disposals in receipts forecasts. Borrow internally from reserves or take out short- term prudential borrowing.	H	L
Reductions in Government Grants to support future projects	H	H	Pursue other external funding options. Look to generate capital receipts.	H	M
Lack of capacity to deliver several major schemes / projects at the same time	H	H	Carefully manage the number of schemes and hence risks in play at any one time.	M	L

Ongoing Covid-19 Implications – increased materials costs, increased interest rates and the risk that pre-pandemic business case assumptions may not be realised.	H	H	Ensure adequate contingency sums are included within scheme business cases. Effective delivery oversight and monitoring.	M	M
Negative effects on exempt VAT recovery – a number of current schemes / projects have exempt VAT implications.	H	M	Starts on schemes delayed until VAT issues resolved. Effective monitoring. VAT planning for several years ahead. Obtain expert external advice.	H	L

Decision information

Key decision number	
Wards affected	

Document information

Report author	**Contact number/email**
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Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
This must be made available to the public for up to 4 years.	
Appendices to the report	
Appendix A	Capital Programme 2024/25