For publication

General Fund Capital Programme 2020/21

Meeting:	Cabinet Council
Date:	25th February 2020 26th February 2020
Cabinet portfolio:	Deputy Leader
Report by:	Chief Finance Officer

For publication

1.0 Purpose of report

1.1 To approve the General Fund Capital Programme for the financial year 2020/21.

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 2019/20 was approved as part of the budget setting process in February 2019. Updates to the Programme were included in the budget monitoring reports to the full Council on 17th July 2019 and 18th December 2019.

3.2 The Programme is 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.

3.3 Due to a reduction in available capital receipts the Programme is increasingly dependant on financing from borrowing. The revenue implications of borrowing are considered before schemes are included in the Capital Programme.

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:

- Revitalising the Heart of Chesterfield Project, £1.4m approved 17th July 2019;
- Calow Lane Industrial Units, £367k approved 1st October 2019;
- Waste Contract vehicles, £1.6m approved 17th December 2019;

- Purchase of land in Spire Neighbourhood, £223k approved 19th June 2019.
- Waterside Office Space, £7.8m, approved 4th February 2020;

4.2.2 Other schemes added to the programme where approval is being sought by full Council or Cabinet during March 2020 are:

- HS2 Station Masterplan, £2.4m fully funded by D2N2 grant, report due for consideration March 2020.

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

- Spital Play Area, £35k funded by S106 contributions;
- Chester Street Play Area, £50k funded by Derbyshire County Council grant and Friends of Monkey Park contribution;
- Whitecotes Playing Field, £19k funded by Viridor grant

4.3 **Progress on Current Major Schemes**

4.3.1 **Northern Gateway** – Saltergate Multi-Storey Car Park was completed during Summer 2019. Final costs for the project are expected to be under budget and this underspend will be transferred to the Enterprise Centre element of the Northern Gateway scheme as previously agreed. Works to the Enterprise Centre have been re-profiled due to the site's archaeological findings, with construction due to commence during the last quarter of 2019/20.

4.3.2 **Beetwell Street Car Park** – this scheme provided essential repair works to the car park. The works are due to be completed by 31st March 2020.

4.3.3 **Artificial Sports Pitches – Former Queens Park Site –** the pitches were opened during the Autumn 2019 with final

landscaping works being undertaken during the final quarter of 2019/20. The final costs of the project are expected to be under budget.

4.3.4 **IT Transformation Programme –** Council approved the IT Transformation Programme in April 2018 which is due to be delivered over a period of 10 years. A number of new ICT posts have been recruited during the year. Schemes to date include the implementation of Office 365, upgrades to a number of systems and the development of a new digital platform.

4.4 **Recurring Schemes**

4.4.1 **Disabled Facilities Grants** – Derbyshire County Council, who holds the Better Care Fund, confirmed an allocation of £1.2m for the 2019/20 financial year, of which £100k will be used to fund Home Repairs Assistance Grants. It is expected that there will be an underspend on the grant which will be carried forward into 2020/21. In addition, the 2020/21 capital programme includes further DFG expenditure of £1.1m to be financed from the Disabled Facilities Grant allocation carried forward from 2018/19.

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. In addition a further £2.3m of borrowing will be required in 2019/20 and £13.6m of borrowing will be required in 2020/21. This is due to the ongoing scarcity of capital receipts and the need for investment on several schemes.

- Grants and contributions:
  2019/20 - £2.5m in total including £1.1m SCRIF contribution for Northern gateway schemes brought forward from 2018/19, £1.0m DFG's, and a number of grants and contributions towards play area schemes.

  2020/21 - £4.3m in total including £1.0m Business Rate Growth grant towards the Revitalising the Heart of Chesterfield project, £1.1m from D2N2 for the HS2 Station Masterplan project and £2.3m DFG's including underspends from previous financial years.

  2021/22 - £2.1m in total including £1.3m D2N2 grant for the HS2 Station Masterplan project and £0.9m DFG's.

  2022/23 - £0.8m for 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 1st April 2016 and 31st 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 31st 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 currently using capital receipts flexibility to fund part of the IT Transformation programme. Further information can be found in the 2020/21 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:

2019-20 – receipts in respect of Chester Street Garages and the release of a covenant have been received during the year. The 2nd instalment of the Poolsbrook land receipt is due on 31st March 2020. Total forecast receipts for 2019/20 are £1.5m.

2020-21 – receipts of £2.3m have been assumed.

2021/22 – receipts of £2.5m have been assumed.

2022/23 – receipts of £2.2m 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 and Revenue Implications

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

	2019/20	2020/21	2021/22	2022/23
In year surplus/(deficit)	(756)	(500)	2,387	1,946

- 2019/20 – an in- year deficit of £0.8m is forecast due to re-profiling of the capital receipts programme. This deficit will be financed from the cumulative surplus carried forward from 2018/19.

- 2020/21 – an in- year deficit of £0.5m is forecast based on a prudent level of capital receipts (£2.3m) and prudential borrowing of £13.6m. This deficit will be financed from the cumulative surplus carried forward from 2019/20.

- 2021/22 – an in- year surplus of £2.4m is forecast based on a prudent level of capital receipts (£2.5m).

- 2022/23 – an in-year surplus of £1.9m is forecast based on a prudent level of capital receipts (£2.2m).

6.2 All capital expenditure which has not been financed through grants, capital receipts or revenue contributions will need to be financed over time by making a Minimum Revenue Provision (MRP). The MRP is a revenue cost to the general fund budget.

6.3 The additional MRP required in respect of the new additions to the capital programme is shown in the table below:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Additional MRP	0	37	329	335

6.4 The revenue implications of the additional MRP are considered before schemes are included in the Capital Programme. The additional MRP in respect of Waterside will be met from rental income. The additional MRP in respect of the Waste Contract Vehicles has been taken into consideration when evaluating the contract tender documents.

6.5 Further information on the Minimum Revenue Provision can be found in the Treasury Management Strategy Report 2020/21.

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

7.0 Risk Management

7.1 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)

8.0 Equalities Impact Assessment (EIA)

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

9.0 Alternative Options to be Considered

9.1 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.

10.0 Recommendations

That the Cabinet recommends to the full Council that:

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

11.0 Reasons for recommendations

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

Glossary of Terms	
SCRIF	Sheffield City Region Investment Fund
MRP	Minimum Revenue Provision

Decision information

Key decision number	**933**
Wards affected	**All wards**
Links to Council Plan priorities	Underpins whole council plan

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	General Fund Capital Programme