

For publication

General Fund Capital Programme 2022/23

Meeting:	Cabinet Council
Date:	22 February 2022 23 February 2022
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Purpose of report

- 1.1 To approve the General Fund Capital Programme for the financial year 2022/23.

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**).
- 2.2 The Town Centre Transformation project (part of the Levelling Up Fund programme) be included in the Capital Programme.

3.0 Reasons for recommendations

- 3.1 To keep Members informed about the council's current General Fund Capital Programme expenditure and financing.

4.0 Report Details

- 4.1 Background

- 4.1.1 This report sets out the draft General Fund Capital Programme, incorporating capital expenditure and financing arrangements for the financial years 2021/22 through 2025/26. The Capital Programme is aligned to the Capital Strategy and presents, in financial terms, the Council's plan for investment related purchasing, building and improvement of capital assets.
- 4.1.2 The council's Capital Programme is an ambitious one evidencing investment of £42.8m in 21/22 and plans for a further £42.6m from 2022/23 through 2025/26, 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 the council's vision and priorities.
- 4.1.3 The Capital Programme for 2021/22 was approved as part of the budget setting process in February 2021. An update to the Programme was included in the budget monitoring report to the full Council on 22nd July 2021.
- 4.1.4 Due to a reduction in the level of capital receipts generated the council's Capital Programme is increasingly dependent on financing from borrowing. The revenue implications of any such borrowing are considered before schemes are included in the Capital Programme.

4.2 Updated Expenditure Forecasts

- 4.2.1 **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 ahead. A commentary on the most significant schemes in the Programme is provided below.
- 4.2.2 **New Schemes** - the updated programme includes the following schemes that have been approved by the full Council or Cabinet and added to the Capital Programme during the year, except for the Town Centre Transformation scheme which is expected to be approved by cabinet in the forthcoming weeks:
- In October 2021 Chesterfield Borough Council secured £20m towards 2no. town centre development schemes after bidding for money from the Government's Levelling Up Fund. The funding was confirmed in

the Autumn Budget and Spending Review, and will be split between two projects:

- Stephenson Memorial Hall, £17.2m approved Dec 2021. This scheme is partly funded from the Levelling Up Fund
- Town Centre Transformation, £10.3m. This scheme is also partly funded from the Levelling Up Fund. It has been included in the Capital Programme on the proviso that a full report on the scheme will be presented to Cabinet for approval in the forthcoming weeks. The Town Centre Transformation scheme now also incorporates the Revitalising the Heart of Chesterfield – Town Centre scheme, £1.3m of which has been included in previously approved capital programmes. Full details on this amalgamation of schemes will be included in the upcoming Cabinet report.
- Staveley Town Deal CBC lead schemes, £8.5m funded by DLUHC Towns Deals grant. A full report on these schemes will be presented to Cabinet for approval on 22nd February 2022. Although CBC is acting as the accountable body for the full £25.2m programme, only those schemes where CBC are the project sponsor (DRIVE, Construction Skills Hub and Staveley 21) are to be included in the Capital Programme. All other non-CBC schemes will be accounted for outside of the General Fund Capital Programme.

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

- Green Homes Grants, an additional allocation of £465k funded by Department of Business, Energy and Industry grant.
- Badger recreation ground, £48k funded by Viridor grant.
- Brushfield recreation ground, £50k funded by Viridor grant.
- CIL capital schemes, £50k funded by a contribution from the Community Infrastructure Levy.
- Safer Streets CCTV scheme, £368k funded by Home Office grant.

4.3 Progress on Current Major Schemes

4.3.1 **Northern Gateway** – Construction of the Enterprise Centre is scheduled to be completed late February /early March 2022. The public realm works at Elder Way were completed during the summer of 2021.

- 4.3.2 **Waterside Basin Square Development** – Construction of One Waterside Place is scheduled to be completed by Spring 2022.
- 4.3.3 **HS2 Strategic Sites** – The former Chesterfield Hotel site was acquired in November 2020 and work to clear out the interior of the building has been completed. Demolition is due to take place in Spring 2022.
- 4.3.4 **Hollis Lane Link Road** – Construction of the new Jewson depot on Sheffield Road is almost complete and Jewson's are due to take ownership in Spring 2022.
- 4.3.5 **Acquisition of Leasehold Interest** – The Council completed the purchase of the Pavements shopping centre in July 2021.

4.4 Recurring Schemes

- 4.4.1 **Disabled Facilities Grants (DFG's)** – Derbyshire County Council (DCC), who holds the Better Care Fund, confirmed an allocation of £1.4m for the 2021/22 financial year, of which £300k will be used to fund Home Repairs Assistance Grants. In addition, the Capital Programme includes further DFG expenditure of £2.5m to be financed from allocations carried forward from previous financial years. This carry forward has arisen due to delays in the DFG processing system which are outside of the council's control and is reflected across all other districts within Derbyshire. The council is working closely with DCC to resolve the issue.

4.5 Capital Financing

- 4.5.1 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 £36.2m. In addition, a further £4.0m of borrowing will be required in 2024/25. This is due to the ongoing challenges of identifying and realising capital receipts and the need for the council to match fund investment from other sources, primarily in the Stephenson Memorial Hall project.

- **Grants and contributions** – 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 resourced. Further details are set out below:
 - 2021/22 - £5.9m in total including £1.8m DFG's, £796k Business Rates Growth grant, £1.5m Green Homes grants, £825k Levelling Up Fund funding, £368k Safer Streets grant, £453k Staveley Town Deal grant and a number of other grants and contributions towards play area schemes.
 - 2022/23 - £9.3m in total including £2.7m Levelling Up Fund funding, £3.7m Staveley Town Deal grant and £2.8m DFG's including underspends from previous financial years.
 - 2023/24 - £14.5m in total including £10.6m Levelling Up Fund funding, £3.1m Staveley Town Deal grant and £0.8m DFG's.
 - 2024/25 - £7.9m in total including £5.8m Levelling Up Fund funding, £1.3m Staveley Town Deal grant and £0.8m DFG's.
 - 2025/26 - £1.1m in total including £0.3m Staveley Town Deal grant and £0.8m DFG's
- **Reserves** - contributions from earmarked reserves towards vehicle and plant replacements and match funding contributions towards other grant funded schemes.

4.5.2 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 from 1st April 2016 and 31st March 2019 and then again from 1st April 2019 to 31st March 2022 to fund revenue expenditure, provided that the expenditure is on transformation projects which are designed to deliver on-going savings. The Government has indicated that this flexibility will be extended for a further three years through to 31st March 2025.

4.5.3 To take advantage of this flexibility, the 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 2025.

- 4.5.4 The council is currently using capital receipts flexibility to fund part of the ICT Transformation programme. A further £1.1m of capital receipts received in 2020/21 have also been set aside to fund the council's Organisational Development (OD) programme.

Further information on the emerging OD programme can be found in the 2022/23 general Fund Revenue Budget and Medium-Term Financial Plan report.

- 4.5.5 Capital receipts – These are only included once potential disposals have been identified 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 capital receipts included in the Programme at Appendix A are:

- 2021-22 – this mainly comprises the receipt in respect of land at Sheffield Road. Total forecast receipts for 2021/22 are £0.5m.
- 2022-23 – receipts of £1.6m have been assumed.
- 2023/24 – receipts of £1.5m have been assumed.
- 2024/25 – receipts of £1.5m have been assumed.
- 2025/26 – receipts of £1.5m have been assumed.

- 4.5.6 Capital receipts forecasts are continually changing as delays are encountered on some disposals whilst opportunities arise to accelerate others.

4.6 Net Financing Position and Revenue Implications

- 4.6.1 The funding surpluses / (deficits) for each of the financial years covered by the updated Capital Programme are summarised in the table below:

	2021/22	2022/23	2023/24	2024/25	2025/26
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In year surplus/(deficit)	0	22	371	(393)	1,425
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- 2021/22 – an in- year break even position is forecast based on a prudent level of capital receipts (£0.5m) and prudential borrowing of £36.9m.
- 2022/23 – an in- year surplus of 22k is forecast based on a prudent level of capital receipts (£1.6m).
- 2023/24 – an in- year surplus of £371k is forecast based on a prudent level of capital receipts (£1.5m).
- 2024/25 – an in-year deficit of £393k is forecast after assuming capital receipts of £1.5m and prudential borrowing of £3.3m.
- 2025/26 – an in-year surplus of £1,425m is forecast based on a prudent level of capital receipts (£1.5m).

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

4.6.3 MRP contributions generally commence from the financial year after the asset becomes operational. The additional MRP required in respect of the Stephenson Memorial Hall project will commence in 2024/25.

4.6.4 The revenue implications for the General Fund budget of any additional MRP are considered before schemes are included in the Capital Programme.

4.6.5 Further information on matters relating to the MRP can be found in the Treasury Management Strategy Report 2022/23.

4.6.6 Starts on any scheme to be included in the Capital Programme will not be made until the council's Cabinet has approved the detailed business case.

5 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 align with Council Plan 2019-23

priorities and sources of funding have been identified to support delivery.

6 Implications for consideration – Council Plan

6.1 The relationship of schemes to the Council Plan priorities are considered in detail at the individual project appraisal stage.

7 Implications for consideration – Financial and value for money

7.1 The financial and value for money implications of the council’s capital Programme are considered in section 4.

8 Implications for consideration – Legal

8.1 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.

9 Implications for consideration – Human resources

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

10 Implications for consideration – Risk management

10.1 The risks relating to the overall Capital Programme are set out in the table below. For individual capital schemes 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	High (4)	Possible (3)

unable to complete			finance in place. Include only planned disposals in resources forecast. Borrow internally from reserves or take out short- term prudential borrowing.		
Reductions in Government Grants	High (4)	Possible (3)	Pursue other external funding options. Look to generate capital receipts.	Medium (3)	Possible (3)
Lack of capacity to deliver several major schemes / projects at the same time	High (4)	Likely (4)	Carefully manage the number of schemes and hence risks in play at any one time.	Medium (3)	Unlikely (2)
Ongoing Covid-19 Implications – Increased material costs, increased interest rates and the risk that pre-pandemic business case assumptions may not be realised.	High (4)	Likely (4)	Ensure adequate contingency sums included within business cases. Regular and effective monitoring.	Medium (3)	Possible (3)

Exempt VAT recovery – a number of current schemes / projects have exempt VAT implications.	V. High (5)	Possible (3)	Starts on schemes delayed until VAT issues resolved. In-year monitoring. VAT planning for several years ahead. Obtain expert external advice.	V. High (5)	Unlikely (2)
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11 Implications for consideration – Community wellbeing

11.1 Although there are no direct community wellbeing implications to consider in this report, 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, with many targeted at supporting community wellbeing across the borough.

12 Implications for consideration – Economy and skills

12.1 Although there are no direct economy and skills implications to consider in this report, 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, with many targeted at supporting the economy and the skills and employability of the borough's population.

13 Implications for consideration – Climate Change

13.1 Individual climate change impact assessments are not required for the overall Capital Programme. These are included at the individual project appraisal stage. prior to inclusion in the Capital Programme and will differ from scheme to scheme.

14 Implications for consideration – Equality and diversity

- 14.1 Individual equality and diversity impact assessments are not required for the overall Capital Programme. These are included at the individual project appraisal stage prior to inclusion in the Capital Programme and will differ from scheme to scheme.

Decision information

Key decision number	1081
Wards affected	All

Document information

Report author	Contact number/email
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Appendices to the report	
Appendix A	Capital Programme 2022/23