For publication

General Fund Capital Programme 2023/24

Meeting:	Cabinet Council
Date:	21st February 2023 22nd February 2023
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Purpose of report

1.1 To approve the General Fund Capital Programme for the financial year 2023/24.

2.0 Recommendations

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 recommendations

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

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 2022/23 through 2026/27. 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.

4.2 The council's Capital Programme is an ambitious one evidencing investment of £12.0m in 22/23 and plans for a further £38.5m from 2023/24 through

2026/27, 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.

4.3 The Capital Programme for 2022/23 was approved as part of the budget setting process in February 2022. An update to the Programme was included in the budget monitoring report to Cabinet on 19th July 2022.

4.4 The council's Capital Programme is dependent 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 ahead. A commentary on the most significant schemes in the Programme is provided below.

4.6 **New Schemes** - the updated programme includes the following scheme that has been approved by Cabinet and added to the Capital Programme during the year:

- UK Shared Prosperity Fund (£461k), this is the capital element of the UK Shared Prosperity Fund. The primary goal of the UKSPF is to build pride of place and increase life chances across the UK. The scheme is fully funded from Department for Levelling Up, Housing and Communities grant.

Progress on Current Major Schemes

4.7 Northern Gateway – the final element of the Northern Gateway scheme, the Northern Gateway Enterprise Centre, was officially opened in July 2022.

4.8 Waterside Basin Square Development – One Waterside Place was officially opened in January 2023.

4.9 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 year.

4.10 Revitalising the Heart of Chesterfield – The public realm works to Packers Row were completed in December 2022.

4.11 Stephenson Memorial Hall – A series of enabling works to the building are in progress, with the main works due to commence on site in Summer 2023.

4.12 Staveley Town Deal –DRIIVe - The planning application for the scheme is due to be submitted during Spring 2023.

Recurring Schemes

4.13 Disabled Facilities Grants (DFG's) – Derbyshire County Council (DCC), who holds the Better Care Fund, confirmed an allocation of £1.4m for the 2022/23 financial year, of which £300k will be used to fund Home Repairs Assistance Grants. In addition, the Capital Programme includes further DFG expenditure of £2.25m 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.

Capital Financing

4.14 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 £9.3m. As the new additions to the capital programme are to be funded from grant no further borrowing will be required.
- 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 £38.3m, is a significant element of how the General Fund Capital Programme is resourced. Further details are set out below:

    - 2022/23 - £7.3m in total including £2.7m Levelling Up Fund funding, £0.9m Staveley Town Deal grant and £1.7m DFG's including underspends from previous financial years.

    - 2023/24 - £19.0m in total including £10.7m Levelling Up Fund funding, £5.1m Staveley Town Deal grant and £3.0m DFG's.

    - 2024/25 - £10.3m in total including £5.8m Levelling Up Fund funding, £2.3m Staveley Town Deal grant and £0.8m DFG's.

    - 2025/26 - £1.0m in total including £0.2m Staveley Town Deal grant and £0.8m DFG's

    - 2026/27 - £0.8m of DFG's

- Reserves - contributions from earmarked reserves towards vehicle and plant replacements and match funding contributions towards other grant funded schemes.

4.15 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.

4.16 To take advantage of this 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 2025.

4.17 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 transformation activities.

4.18 Further information on capital receipts flexibility can be found in the 2023/24 General Fund Revenue Budget report.

4.19 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:

- 2022/23 – this mainly comprises the receipt in respect of land at Linacre Road. Total forecast receipts for 2022/23 are £2.0m.
- 2023/24 – receipts of £2.5m have been assumed.
- 2024/25 – receipts of £1.5m have been assumed.
- 2025/26 – receipts of £1.5m have been assumed.
- 2026/27 – no capital receipts have yet been identified for 2026/27

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

4.21 Any capital receipts received in excess of the level required to fund the current capital programme will be earmarked to meet the future capital costs of the council's existing property portfolio.

Revenue Implications

4.22 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.

4.23 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 2026/27.

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

4.25 Further information on matters relating to the MRP can be found in the Treasury Management Strategy Report 2023/24.

4.26 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.

5.0 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 projects align with Council Plan 2019-23 priorities, and 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.

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

10.0 Implications for consideration – Climate Change

10.1 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.

11.0 Implications for consideration – Equality and diversity

11.1 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.

12.0 Implications for consideration – Risk management

12.1 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	H	M	Effective planning & monitoring	M	L
Slippage on schemes	M	M	Regular and effective monitoring	M	L
Capital receipts – disposals delayed or unable to complete	H	M	Control starts on uncommitted schemes until finance in place. Include only planned disposals in resources forecast.	H	L

			Borrow internally from reserves or take out short- term prudential borrowing.		
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 material costs, increased interest rates and the risk that pre-pandemic business case assumptions may not be realised.	H	H	Ensure adequate contingency sums included within business cases. Regular and effective 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. In-year monitoring. VAT planning for several years ahead. Obtain expert external advice.	H	L

Decision information

Key decision number	
Wards affected	

<u>Document information</u>

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 2023/24