

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

31 January 2023

Report of the Director of Finance & ICT

Capital budget monitoring and forecast as at Quarter 2 2022-23
(Corporate Services and Budget)

1. Purpose

- 1.1 To inform Audit Committee of the latest Capital budget monitoring position as at 30 September 2022.

2. Information and Analysis

- 2.1 The report includes Cabinet approved schemes that have been active during this financial year, including schemes closed in year. Each scheme has a nominated budget holder who is responsible for ensuring the scheme stays within budget, and who provides the projected spend figures. The schemes have been approved over several previous years in addition to the current year.
- 2.2 The 2022-23 capital programme is £101.896m, approved adjustments to this figure reduced this to £94.595m. The budget for schemes being monitored this year total £614.106m, of these, £605.105m are currently open schemes. There is a forecast underspend of £7.937m over the life of these projects (see Appendix 2).
- 2.3 Project managers actively review the timing of scheme expenditure to reflect circumstances. This is important for financial planning. The analysis below compares future years spend in this report with the position reported at Q1. It shows there has been an increase in the expenditure planned into future years of £9.236m. This is spread over

many projects and often happens as the realities of a new project crystallise.

	Spend in 2023-24	Spend in 2024-25	Spend in 2025-26	Total
	£m	£m	£m	£m
Q2 forecast	49.837	8.945	0.536	59.318
Q1 forecast	44.125	5.290	0.667	50.082
Increase / (decrease) in expenditure	5.712	3.655	(0.131)	9.236

This is analysed over the Departments as follows:

	Spend in 2023- 24	Spend in 2024- 25	Spend in 2025- 26	Total
	£m	£m	£m	£m
Adult Social Care & Health	0.194	0.000	0.000	0.194
Children's Services	0.353	0.500	0.000	0.853
Corporate Services and Transformation	0.538	0.000	0.000	0.538
Place	4.627	3.155	(0.131)	7.651
Total	5.712	3.655	(0.131)	9.236

2.4 **Adult Social Care & Health - projected underspend of £2.129m**

Adult Care has a budget of £94.538m comprised of 59 schemes. Five schemes account for 76% of the budget These are summarised in the table and narrative below.

Major Schemes	£m
Disabled Adaptations 2019 - 2022	20.583
Belper Integrated Specialist Facilities Centre	15.613
Bennerley Avenue – Care Home	15.000
Darley Dale Specialist Community Care Centre	10.520
Hearnor Specialist Community Care Centre	9.750

Disabled Adaptations

The Disabled Adaptations schemes are the currently open programmes which relate to aids and adaptations installed in resident's own homes so they may remain as independent as possible. They will be fully

financed from borrowing together with contributions from clients and district councils. Currently the spend for 2022-23 is in line with the budget. For previous years there is an underspend of budget of £1.141m due to reduced activity caused mainly by Covid 19. With approval, the intention is to use this underspend to fund the replacement of existing Telecare equipment in 2023-24. This will avoid requesting new borrowing to fund this.

The Belper Integrated Specialist Facilities Centre

The Belper Centre offers accommodation for up to 40 older persons and includes a library on site. The Care Home opened in June 2020 and the residents from Ada Belfield moved into the new accommodation during September 2020. Asbestos contamination (reported to Cabinet in previous monitoring reports) has been remedied at a cost of approximately £1.500m. Pursuing an asbestos contamination claim is not viable. The overspend has been covered by using underspends from other projects. The overall spend is projected to be £15.613m and the defects period has now expired. The final retention was released in June 2022.

Bennerley Avenue - Care Home

Construction for this commenced in February 2021 with final completion estimated to be Autumn 2023 following the end of the defects period. The home opened in August 2022 and residents moved in during September. The Home replaced the nearby Hazelwood Care Home and has 40 general needs beds. The budget and forecast expenditure are £15.000m. The business case specification is being prepared for phase 2 of the development and potential bidders will be invited to submit expressions of interest on the site.

Specialist Care Centres

These provide care for physically frail, elderly clients with dementia:

- Darley Dale - opened in March 2016 and had issues with its roof and remediation is now complete. This scheme is due for sign off pending the completion of some minor works and retention fees. The Authority is awaiting the final certificate. The retention fees have now been released except for £0.020m to cover off the minor works still outstanding. There have been ongoing issues with roof leaks for which the contractor accepted full responsibility to resolve. They undertook a site visit in October and work commenced in November in relation to the roof repairs for which they were liable. In addition, there is still some snagging that requires attention. The budget is £10.520m and spend to date is £10.419m.

- Heanor - opened in August 2015 and is now complete and the final certificate paid. No further costs are expected with the contractor. A further £0.200m is budgeted in the event of latent defects. The spend is anticipated to be £9.168m with an underspend of £0.582m.

2.5 Children's Services - projected underspend of £1.720m.

This is across multiple projects with no individual significant item.

Children's Services has a budget of £167.401m comprised of 727 schemes. Five schemes account for 23.28% of the budget. These are summarised in the table and narrative below.

Major Schemes	£m
Alfreton Park School Replacement	13.350
Tibshelf New Primary School	7.013
Bramley Vale Primary Replacement	6.425
Highfield Farm School	6.253
Boulton Moor School	5.923

Alfreton Park School

Phase 1 achieved practical completion and hand-over of the new school took place on 4 March 2022. The defects period continues. Phase 2, demolition of the old school building took longer than anticipated due to large amounts of asbestos being found hidden in the (CLASP) structure which was not evident from the surveys. This involved a small additional cost of £0.011m. Other Phase 2 works include landscaping and installation of an adventure playground completed in November 2022.

Tibshelf New Primary School

The feasibility for the new 'Federated' school at Tibshelf has been completed and cost estimates prepared. Children's Services are now considering the feasibility study and further consultation was undertaken in September 2022, which is reported in a separate report to this meeting. Due to the delays, and the anticipated reduction in the capital receipt, the costs have risen significantly and further funding of £6.760m is currently being sought.

Bramley Vale

The project at Bramley Vale Primary School is for the replacement of all the school, except for the Foundation Unit and a single block. Morgan Sindall have been engaged via the SCAPE framework. The most recent cost estimate is significantly over the last cost estimate. Value engineering is being undertaken to reduce project costs. However, approval is being sought for additional funding of £0.891m.

Highfield Farm School

The new build at Highfield Farm School was completed in August 2020. The making good defects certificate has now been issued with no defects outstanding. All works have now been completed in line with budget and the final account settled. The remaining budget outstanding relates to furniture and IT of £0.381m which will be recharged by the Spencer Academy Trust in due course. The remaining budget relates to fee invoices outstanding.

Boulton Moor School

Boulton Moor is funded by S106 contributions. The main project has stalled due to legal agreements being finalised regarding site access. Concertus Derbyshire Limited have been asked to investigate a temporary school option but have not yet been commissioned by Children's Services to undertake this element of additional works. The project has recently been repriced due to the delays and this has resulted in additional costs of over £2.000m. Additional funding is currently being sought.

2.6 Corporate Services and Transformation - projected underspend of £2.151m

Corporate Services and Transformation has a budget of £35.524m comprised of 262 schemes. Five schemes account for 27% of the budget. These are summarised in the table and narrative below.

Major Schemes	£m
Green Deal and Fuel Poverty grant	2.521
SAP S/4 upgrade	2.000
Glossop 3G Pitch and Changing Room	1.714
County Hall - Winter Gardens Refurbishment	1.700
SRM Upgrade & TASK Replacement	1.563

Green Deal and Fuel Poverty Grant

This scheme will potentially assist up to 30 fuel poor Derbyshire residents as part of the Derbyshire Healthy Home Programme. They will comprise of replacement or first-time central heating systems. In some cases, this will assist with hospital discharge. These schemes, follow referrals by Adult Social Care and Health Services and are the ones not fully funded by other grants.

SAP S/4 upgrade

This project which is for a major computer system has been delayed from initial forecasts due to ongoing issues with the ICT infrastructure and staff availability issues. The completion date is planned to be Winter 2023. This delay has caused some extra costs and it is now anticipated that there will be an overspend of £0.043m after all project contingency is used. This will be met by a Revenue Contribution as approved by Cabinet on 15 April 2021.

Glossop 3G Pitch and Changing Room

This development is in partnership with Glossop North End Football Club. It will be at no cost to Derbyshire County Council, with funding coming from other parties including The Football Foundation and High Peak Borough Council. The project was delayed after the need to upgrade the site's electricity infrastructure was identified. The work plan has since been updated and additional funding secured to meet the revised specification and timing. Work has recently commenced on site.

County Hall - Winter Gardens Refurbishment

This scheme was commissioned to Concertus Derbyshire Ltd (CDL) for design. The space cannot currently be used as a function space due to inadequate toilet provision and issues with accessibility. Surveys identified that the costs could be more substantial than budgeted for. The project is currently on hold pending the outcome of a wider review of County Hall.

SRM Upgrade & TASK Replacement

This project was for a major computer system which has now been completed and the project closed. The scheme came in under budget by £0.226m.

2.7 Place - projected underspend of £1.937m.

This is mainly due to projected under spends of £1.461m relating to the LED Invest to Save project plus other less significant over and underspends.

Place has a budget of £316.643m comprised of 99 schemes. This is approximately 52% of the total Capital budget. Six schemes account for 69% of the Place budget. These are summarised in the table and narrative below.

Major Schemes	£m
Local Transport Plan (LTP) 2017-2022	76.253
Markham Vale Employment Zone	41.583
LED Street Lighting	32.100

Pothole and Challenge Fund 2020-2021	30.132
Waste Project, Derby	25.000
Woodville Swadlincote Regeneration Route	12.797

Local Transport Plan

These schemes are managed within the Council's Local Transport Plans and funded from grants provided by the Department for Transport (DfT). All grants are fully utilised, and subject to approval, reallocated to other infrastructure projects. The separate yearly schemes that make up the budget total relate to schemes from 2017- 2022. These schemes totalling £76.253m are forecast to be completed by the end of 2025-26. The forecast underspend of £2.261m will be required for additional pothole schemes undertaken. (See below)

Markham Vale

An amount of £2.333m remains to be spent from the approved capital budget. This will require reviewing against the estimated costs of the remaining works packages that are required to be completed, given the high construction inflationary pressures currently being experienced. On three previously prepared plots and where terms have been agreed with inward investors, two planning applications have been submitted and an application has been approved for an electric vehicle charging station. Subject to securing all planning approvals and other development conditions, capital receipts of approximately £2.300m will be received over the coming 12 to 24 months. Another 0.7-acre development plot has been recently created which will attract a further capital receipt when developed and another 0.6-acre plot is currently being prepared for development.

During the last quarter a capital grant bid has been submitted towards the £0.75m costs of creating a 2km long cycling and walking route to work.

The Staveley Waterside project comprises a phased mixed-use development. The Council have been preparing detailed designs and cost estimates to deliver a Phase 1 development within the budgeted estimate of £3.064m; £2.664m of which has been provisionally secured from the Staveley Town Deal fund with the remaining funding comprising in-kind land value, £0.150m of DCC Reclamation capital already secured, plus contingency of £0.721m funded by capital receipts generated at Markham Vale. It is intended that a planning application will be submitted before the end of 2022.

LED Street Lighting

The LED Invest to Save project is nearing final completion across the county. The majority of these are now part of large whole asset

replacement programmes that are part funded by the Local Transport Plan and funding from the LED Invest to Save project budget to enable the full scope of works to be delivered, realising maximum energy and carbon savings. The scheme so far has proven to be an incredible success with LEDs installed which has reduced the energy liability by 14,500,000kWh (the equivalent of boiling 4.8 million kettles for an hour). If we had not commenced this project the energy liability for the street lighting asset alone (excluding illuminated signs, bus shelters and traffic signals) would be £6.100m per year. It is anticipated that most of the remaining projects will be concluded within this financial year, however due to issues in the steel industry supply chain, some may not be fully concluded until 2023-24. The cost of steel and construction materials continues to rise resulting in additional increased costs of £0.096m estimated since Quarter 1 monitoring. There is an underspend currently forecast of £1.461m. The sharp rise in the cost of electricity means that further investment in LED Street Lighting may yield further savings. A business case is currently being prepared which may result in future capital spend subject to Council decisions.

Pothole and Challenge Funds

A significant programme of surface treatment schemes that can only be carried out in favourable weather have been delivered so far this summer. This continues in addition to a significant programme of resurfacing works which are ongoing and will continue for the next few months. This progress has contributed to the reduction of defects on the highway network and should help prevent future ones occurring during winter months.

The Challenge Fund project to repair retaining walls in the Matlock Bath area is progressing well with ground investigation having been completed on many sites. Issues related to ecology, land ownership and planning issues are progressing well. To ensure the council achieve value for money and confidence in the costs of the works in these volatile times more efforts are being put into the procurement process which has resulted in a delay in the proposed works which are now expected to start in Spring 2023.

These projects with a budget of £30.132m are forecast to spend £32.560m They are on schedule to complete by the end of 2024 with an overspend against budget of £2.428m which relates to additional pothole schemes being undertaken and increased costs due to inflation and supply chain issues. With approval this will be financed mainly by savings from the LTP (£2.261m) and delaying schemes to the 2023 LTP.

Waste Project

The Council and Derby City Council entered into an Inter Authority Agreement (IAA) on 20 August 2014 in relation to the operation and management of a Public Private Partnership contract with Resource Recovery Solutions (Derbyshire) Ltd (RRS) for the construction of the long-term Waste Treatment Facility in Sinfin and provision of associated services. It has been previously reported the contract with RRS was terminated on 2 August 2019. RRS has commenced formal court proceedings against the councils, which will be defended.

Work on the facility to determine its condition and capability is nearing completion. Both authorities approved recommendations in November 2021 to develop business cases for the future of the waste treatment facility. The business cases are progressing and once complete, both councils will reconvene to review and decide how to proceed.

The business cases compare two options:

- To rectify and use the facility and,
- To close the facility and dispose of the councils' waste using a third party.

Woodville-Swadlincote Regeneration Route

The Woodville-Swadlincote Regeneration Route has been developed as a key enabler of regeneration set out in the South Derbyshire Local Plan, bringing former industrial land back into use for both housing and commercial development. It leads directly to provision of 300 homes and an estimated 580 jobs, with significant additional employment anticipated across a wider area but stimulated by this core investment. The route is approximately 1.1km in length and is a combination of new construction and the upgrading of what was a cul-de-sac through an industrial estate. Opening to traffic was achieved in late 2021, with correction of minor design defects and landscaping work continuing into 2022 but now complete. The remaining expenditure of £0.426m is expected by the end of March 2023 and that the project remains within its allocated budget of £12.797m.

Elvaston Castle Masterplan

This Project, while not significant in terms of being one of the highest values within the Capital Programme, is significant in that this is Phase 1, which includes:

- Access drive, car park and roundabout
- New build café
- Regeneration of the lower stable yard, upper stable yard and museum yard
- Infrastructure and access improvements

The design of Phase 1 is in its planning stage, and the construction is expected to commence during 2024, subject to the planning approval. This is a year behind originally anticipated.

The Masterplan has subsequent phases costing potentially £39.000m, which will need to be revised to reflect both inflationary pressures and planning outcomes. The plans to deliver further phases are currently being developed. Submissions for any subsequent phases will be made as part of future capital programme bids. The Masterplan has been developed through consultation with our communities and partners and is being delivered as part of a collaborative programme with the volunteers of Elvaston Castle & Gardens Trust (ECGT). The Masterplan will unlock the commercial potential of the estate and make it a sustainable enterprise. A business model for future operations is currently being scoped.

2.8 Top Ten Capital schemes by value

Set out in Appendix 3 is a summary of the ten largest current capital schemes, representing approximately 46% of the current budget. These schemes are currently projected to underspend by £2.435m. This is attributable to underspends on both the LED Invest to Save project and Disabled facilities major adaptations. This is offset by an overall overspend on the LTP and Pothole Schemes. As the LED project is funded by Invest to Save monies the underspend cannot be recycled or transferred to cover any potential overspends on other projects.

3. Consultation

3.1 Not directly arising out of this report.

4. Alternative Options Considered

4.1 Do Nothing - The Council's Financial Regulations require the preparation and submission of reports to Cabinet on the projected expenditure and resources compared with approved estimates, on a regular basis.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1. None Included.

7. Appendices

- 7.1 Appendix 1- Implications.
Appendix 2- Summary of Projected Capital spend by Department
Appendix 3-Top Ten Capital Projects According to Budget Value

8. Recommendation(s)

- 8.1 That the Audit Committee note the current position on the monitoring of Capital schemes.

9. Reasons for Recommendation(s)

- 9.1 To ensure that the Council is complying with best practice in providing regular capital reports to all key stakeholders regarding capital estimates and expenditure.

10. Is it necessary to waive the call in period?

- 10.1 No

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Implications

Financial

1.1 The current Capital Programme forecast indicates an overall underspend of £7.937m against a total programme of £614.106m as set out in Section 4 of the report.

Legal

2.1 The Director of Legal and Democratic Services has advised in relation to individual projects referred to in the report.

Human Resources

3.1 None directly arising out of this report.

Information Technology

4.1 None directly arising out of this report.

Equalities Impact

5.1 Not directly arising out of this report.

Corporate objectives and priorities for change

6.1 None directly arising out of this report.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None directly arising out of this report.

Summary of Projected Capital Spend by Department										Appendix 2
Department	Current Budget	Total spend to date inc commitments	Estimated spend remaining 2022-23	Total projected spend to 31 March 2023	Planned spend 2023-24	Planned spend 2024-25	Planned spend 2025-26	Planned spend 2026 +	TOTAL Revised planned spend	(Under) / Over
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care & Health	94.538	81.820	7.852	89.672	2.737	0.000	0.000	0.000	92.409	(2.129)
Children's Services	167.401	94.811	50.672	145.483	19.698	0.500	0.000	0.000	165.681	(1.720)
Corporate Services and Transformation	35.524	15.610	14.350	29.960	3.413	0.000	0.000	0.000	33.373	(2.151)
Place	316.643	223.276	58.459	281.735	23.989	8.446	0.536	0.000	314.706	(1.937)
Grand Total	614.106	415.517	131.333	546.850	49.837	8.946	0.536	0.000	606.169	(7.937)

Top Ten Capital Projects According to Budget Value										Appendix 3	
	Approval Year	Current Budget	Total spend to date inc commitments	Estimated spend remaining 2022-23	Total projected spend to 31 March 2023	Planned spend 2023-24	Planned spend 2024-25	Planned spend 2025-26	Planned spend 2026+	TOTAL Revised planned expenditure	(Under) / Over
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Local Transport Plan 2017-2022	17 - 22	76.253	32.640	29.059	61.699	8.435	3.758	0.100	0.000	73.992	(2.261)
Markham Employment Growth Zone	88 - 89	41.583	39.250	0.583	39.833	0.750	0.750	0.250	0.000	41.583	0.000
LED Street Lighting	15 - 16	32.100	28.014	0.809	28.823	1.816	0.000	0.000	0.000	30.639	(1.461)
Pothole and Challenge Fund 2020 & Pothole Fund 2021 & 2022	20 - 22	30.132	22.023	9.750	31.773	0.787	0.000	0.000	0.000	32.560	2.428
New Waste Treatment Facility Derby	20 - 21	25.000	22.721	2.279	25.000	0.000	0.000	0.000	0.000	25.000	0.000
Disabled Facilities Major adaptations 2019 – 2022	19 - 22	20.583	15.736	3.706	19.442	0.000	0.000	0.000	0.000	19.442	(1.141)
Belper Integrated Specialist Facilities	12 - 13	15.613	14.836	0.571	15.407	0.206	0.000	0.000	0.000	15.613	0.000
Bennerley Avenue Care Home	20 - 21	15.000	13.600	0.900	14.500	0.500	0.000	0.000	0.000	15.000	0.000
Alfreton Park Special School	17 – 18	13.350	13.258	0.092	13.350	0.000	0.000	0.000	0.000	13.350	0.000
Woodville Swadlincote Regeneration Route	19 - 20	12.797	12.371	0.426	12.797	0.000	0.000	0.000	0.000	12.797	0.000
TOTAL		282.411	214.449	48.175	262.624	12.494	4.508	0.350	0.000	279.976	(2.435)