



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

16 March 2023

Report of the Interim Director of Finance & ICT

Capital budget monitoring and forecast as at Quarter 3 2022-23
(Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide

2. Key Decision

2.1 This is a Key Decision because it is likely to result in the Council incurring expenditure which is, or savings which are, significant, having regard to the budget for the service or function concerned (this is currently defined as £0.500m).

3. Purpose

3.1 To inform Cabinet of the latest Capital budget monitoring position as at 31 December 2022.

4. Information and Analysis

4.1 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.

4.2 The 2022-23 capital programme is £101.896m, approved adjustments to this figure reduced this to £101.876m. The budget for schemes being monitored this year total £631.219m of these, £617.122m are currently open schemes. There is a forecast underspend of £11.203m over the life of these projects (see Appendix 2).

4.3 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 and Q2. It shows there has been an increase in the expenditure planned into future years of £49.482m since Q2. This is spread over many projects and often happens as the realities of a new project crystallise. Included here are also new projects added which naturally feature spending in future years.

	Spend in 2023-24	Spend in 2024-25	Spend in 2025- 26	Total
	£m	£m	£m	£m
Q3 forecast	82.928	25.288	0.584	108.800
Q2 forecast	49.837	8.945	0.536	59.318
Q1 forecast	44.125	5.290	0.667	50.082
Increase / (decrease) in expenditure from Q3-Q2	33.091	16.343	0.048	49.482

This is analysed over the Departments as follows:

	Spend in 2023-24	Spend in 2024-25	Spend in 2025- 26	Total
	£m	£m	£m	
Adult Social Care & Health	0.577	0.000	0.000	0.577
Children's Services	22.643	14.163	0.120	36.926
Corporate Services and Transformation	5.713	0.116	0.000	5.829
Place	4.158	2.064	(0.072)	6.150
Total	33.091	16.343	0.048	49.482

4.4 Adult Social Care & Health - projected underspend of £2.454m

Adult Care has a budget of £94.570m comprised of 59 schemes. Three schemes account for 54.14% 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

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 £1.012m due to reduced activity caused mainly by Covid 19 and staffing issues within Adult Social Care. The intention is to use this underspend to fund the replacement of existing Telecare equipment in 2023-24. A report will be submitted on this in due course. 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. The remaining budget will cover any minor snagging issues if they transpire and any remaining fee accounts outstanding.

Bennerley Avenue - Care Home

Construction for this commenced in February 2021 with final completion estimated to be Autumn 2024 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 provides 40 general needs beds. The budget is £15.000m and the expenditure is forecast to be £15.000m The business case specification is being prepared for phase 2 of the development, which is to attract

private sector investment and potential bidders will be invited to submit expressions of interest on the site.

4.5 **Children's Services - projected underspend of £5.024m.**

This is across multiple projects with no individual significant item.

Children's Services has a budget of £177.449m comprised of 795 schemes. Five schemes account for 24.46% of the budget. These are summarised in the table and narrative below.

Major Schemes	£m
Alfreton Park School Replacement	13.350
Boulton Moor School	9.470
Bramley Vale Primary Replacement	7.316
Tibshelf New Primary School	7.013
Highfield Farm School	6.253

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. The overall overspend is currently £0.173m but will rise when the costs of the final work is calculated. The overspend will be met by underspends elsewhere within the Childrens Department. Other Phase 2 works include landscaping and installation of an adventure playground completed in November 2022. However, the safety matting to allow the site to be operational cannot be fitted until the grass has grown sufficiently. Then a safety check will be required.

Boulton Moor School

Boulton Moor is funded by S106 contributions. Delays due to legal issues relating to site access have been resolved and the purchase of access land is now proceeding. A planning application for a temporary school at Chellaston Fields has been made Additional budget of £3.547m was approved by Cabinet on 8 December 2022 as part of the Childrens Services Capital Budget Allocation report to cover increased costs identified due to significant delays. There are likely to be continued delays with the project resulting in further increases in the costs.

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 project was redesigned to reduce costs but a further £0.891m of funding was still required and approved by Cabinet on 8 December 2022 as part of the Childrens Services Capital Budget Allocation report. The project is now in a position to move forward.

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. Due to the delays, and the anticipated reduction in the capital receipt, the costs have risen significantly and further funding of £6.760m is required. The capital bid for this was rejected in December and therefore the project is postponed for a year.

Highfield Farm School

The new build at Highfield Farm School was completed in August 2020. However, there are some minor defects outstanding. Of the remaining budget of £0.723m, £0.381m relates to furniture and IT which will be recharged by the Spencer Academy Trust in due course and the balance relates to outstanding fee invoices.

4.6 Corporate Services and Transformation - projected underspend of £1.435m

Corporate Services and Transformation has a budget of £33.858m comprised of 264 schemes. Five schemes account for 28.06% 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	1.564

Green Deal and Fuel Poverty Grant

This scheme assists fuel poor Derbyshire residents as part of the Derbyshire Healthy Home Programme. The project comprises of replacement or first-time central heating systems which in some cases will assist with hospital discharges. These schemes, follow referrals by Adult Social Care and Health Services and are the ones not fully funded

by other grants. The project has a budget of £2.521m of which £2.450m has already been spent. This has helped around a thousand households over the last ten years. Six households will be helped this year and it is anticipated that there will be a further twelve in each of the next two years.

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 for later in 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, should the project continue to be delayed beyond this timeframe additional costs may be incurred, these will be subject to the relevant approvals in due course.

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. Initial works commenced on site in November 2022. Works are currently paused pending final agreement of a permanent footpath diversion and contract sums.

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 which is anticipated to be completed by December 2023.

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.

4.7 Place - projected underspend of £2.291m.

This is mainly due to projected under spends of £1.814m relating to the LED Invest to Save project plus other less significant over and underspends.

Place has a budget of £325.342m comprised of 114 schemes. This is approximately 52% of the total Capital budget. Six schemes account for 67.09% of the Place budget. These are summarised in the table and narrative below.

Major Schemes	£m
Local Transport Plan (LTP) 2017-2022	72.677
Markham Vale Employment Zone	41.583
Pothole and Challenge Fund 2020-2022	34.108
LED Street Lighting	32.100
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 £72.677m are forecast to be completed by the end of 2025-26. Some schemes have been deferred and the budget used to meet budget pressures within LTP and pothole schemes. The forecast overspend of £0.374m will be met from underspends within Place.

Markham Vale

An amount of £2.028m 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.

Planning applications have been submitted on three previously prepared plots. Subject to securing unconditional planning approval and successful negotiations with investors, then capital receipts of approximately £2.300m will be secured over the coming 12 to 24 months.

A further development plot of 0.7 acres has been recently created which will attract a further capital receipt (£0.160m) when developed and a further 0.8 acre plot is close to being brought to market which will result in a further £0.180m capital receipt when sold. Terms have been agreed

on two other lots of surplus land which will enable third parties to bring forward development This gives a potential of further capital receipts of £0.100m in the next financial year plus £0.930m over the next five years.

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. Several pre-grant contract conditions have now been satisfied. The planning application will be submitted during February 2023, and it is expected that the tendering process for the design and build contract will commence during Spring 2023. Subject to securing all outstanding approvals the construction contract could start in August 2023 and be completed within nine months.

Pothole and Challenge Funds

The Autumn and Winter works have progressed as much as weather has allowed. This has built on the success of the summer programme. 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 undertake the ground investigation and project design to repair retaining walls in the Matlock Bath area is progressing well. Ground investigation having been completed on the majority of sites. Issues related to ecology, land ownership and planning issues are also progressing well. The main project for the works of £4.166m is included elsewhere within the Place programme and works are expected to commence during Spring 2023.

These projects with a budget of £34.108m are on schedule to complete by the end of 2024, with an underspend against budget of £0.455m which will be used to meet any overspend on the LTP projects. Keeping to budgets remains challenging with increased costs due to inflation and supply chain issues.

LED Street Lighting

The LED Invest to Save Project is 99% complete with only a few major projects where full asset replacement including underground cables is necessary.

Global supply chain issues have impacted the delivery programme this year, however the remaining projects will be completed next year. The scheme continues to demonstrate its success. To date energy liability has reduced by 15,935,000kwh (the equivalent of boiling 5.3 million kettles for an hour), furthermore carbon emissions have reduced by 10,700 tonnes. With the widely reported energy price increases the importance of this project is paramount. The street lighting service experienced an energy price increase of 60% in April 2022 with further sharp increases expected in April 2023. At current energy prices the project has saved £4.3m.

There is an underspend currently forecast of £1.814m. The sharp rise in the cost of electricity means that further investment in LED Street Lighting should yield further savings. A business case for further projects is currently being prepared for further spend to save projects which may be partly funded by this underspend, subject to Council decisions. All projects will be selected to realise maximum benefits of energy and carbon savings.

Waste Project

The Council and Derby City Council (*'The Councils'*) 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 New Waste Treatment Facility (NWTF) 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. The Councils will be defending these proceedings.

Following completion of a Full Business Case on 2 February 2023 the Councils approved a recommendation to repair the NWTF and bring it into operation as this is considered to be the more cost-effective option when compared with closing the facility and disposing of the councils' waste using a third party.

The councils will now go out to the market to appoint specialist contractors to carry out the rectification work and operate the facility. A further report will be brought back to Cabinet members at both councils at a later date to consider the award of contract(s) for this work. Approval was also given to set up a Joint Project Board to coordinate decision making to help drive the project forward.

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 the provision of 300 homes and an estimated 580 jobs, with significant additional employment anticipated across a wider area 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. It faced numerous challenges, not least the bankruptcy of the principal contractor when approaching practical completion. This was addressed through the Council's own arms-length contractor stepping in and, as far as possible, the retention of sub-contractors.

The way the contingency plan was implemented following the collapse of the main contractor was granted a merit award by the Institution of Civil Engineers. Opening to traffic was achieved in late 2021, with correction of minor design defects and landscaping work continuing into 2022 but now complete. Accounts are still to be settled with affected landowners and occupiers, but the scheme is expected to remain within its budget of £12.797m, with the final expenditure during 2023.

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 the first phase of The Masterplan. Several further phases are planned. Phase 1 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

A planning application for Phase 1 of the development has been submitted and is currently in progress. The construction of the new access drive and car park is expected to commence during 2024, subject to the planning approval and is a year behind originally anticipated.

Following the recommendations of the Green Book Business Case commissioned in 2022 and, following a comprehensive procurement exercise, an external business advisor (KPMG) is being appointed to work with the Council and Elvaston Castle and Gardens Trust on development of the business model and future operations for the site.

This work will be done in the following steps and the output from each stage will inform a key cabinet decision.

1. Business model options review / initial business plan development
2. Finalising the business plan / prospectus
3. Legal structure / enterprise model / business governance
4. Operator procurement / business plan development / operational delivery.

4.8 Top Ten Capital schemes by value

Set out in Appendix 3 is a summary of the ten largest current capital schemes, representing approximately 45% of the current budget. These schemes are currently projected to underspend by £2.734m This is attributable to underspends on both the LED Invest to Save project and Disabled facilities major adaptations.

5. Consultation

5.1 Not directly arising out of this report.

6. Alternative Options Considered

6.1 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.

7. Implications

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

8. Background Papers

8.1 None Included.

9. Appendices

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

10. Recommendation(s)

10.1 That Cabinet notes the current position on the monitoring of Capital schemes.

11. Reasons for Recommendation(s)

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

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

12.1 No

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Implications

Financial

- 1.1 The current Capital Programme forecast indicates an overall underspend of £11.203m against a total programme of £631.219m 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 commit's	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	94.570	83.443	5.359	88.802	3.314	0.000	0.000	0.000	92.116	(2.454)
Children's Services	177.449	101.578	13.724	115.302	42.341	14.662	0.120	0.000	172.425	(5.024)
Corporate Services and Transformation	33.858	16.688	6.493	23.181	9.126	0.116	0.000	0.000	32.423	(1.435)
Place	325.342	243.934	39.997	283.931	28.147	10.510	0.464	0.000	323.052	(2.290)
Grand Total	631.219	445.643	65.573	511.216	82.928	25.288	0.584	0.000	620.016	(11.203)

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 exp'	(Under) / Over
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Local Transport Plan 2017-2022	17 - 22	72.677	46.068	14.404	60.472	9.953	2.598	0.028	0.000	73.051	0.374
Markham Employment Growth Zone	88 - 89	41.583	39.555	0.278	39.833	0.750	0.750	0.250	0.000	41.583	0.000
Pothole and Challenge Fund 2020 & Pothole Fund 2021 & 2022	20 - 22	34.108	25.165	7.487	32.652	1.001	0.000	0.000	0.000	33.653	(0.455)
LED Street Lighting	15 - 16	32.100	28.470	0.201	28.671	1.615	0.000	0.000	0.000	30.286	(1.814)
New Waste Treatment Facility Derby	20 - 21	25.000	23.291	1.709	25.000	0.000	0.000	0.000	0.000	25.000	0.000
Disabled Facilities Major adaptations 2019 – 2022	19 - 22	20.583	17.293	2.278	19.571	0.000	0.000	0.000	0.000	19.571	(1.012)
Belper Integrated Specialist Facilities	12 -13	15.613	14.836	0.572	15.408	0.205	0.000	0.000	0.000	15.613	0.000
Bennerley Avenue Care Home	20 - 21	15.000	13.604	0.150	13.754	1.246	0.000	0.000	0.000	15.000	0.000
Alfreton Park Special School	17 – 18	13.350	13.523	0.000	13.523	0.000	0.000	0.000	0.000	13.523	0.173
Woodville Swadlincote Regeneration Route	19 - 20	12.797	12.331	0.050	12.381	0.416	0.000	0.000	0.000	12.797	0.000
TOTAL		282.811	234.136	27.129	261.265	15.186	3.348	0.278	0.000	280.077	(2.734)