

COUNCIL
04 MARCH 2021

Report of the Director of Resources

CAPITAL PROGRAMME UPDATE

PURPOSE OF REPORT

This report seeks approval for an updated capital programme and associated financing.

RECOMMENDATION

1. That the revised Capital Programme and financing arrangements for 2020/21, as detailed in Appendix 1, in the sum of £7,790,985 be approved
2. That the Revised Capital Programme for 2021/22, as detailed in Appendix 1, in the sum of £7,578,159 (including slippage from 2020/21 of £2,706,173) be approved
3. That the Programme for years 2022/23 onwards, as detailed in Appendix 1 in the sum of £1,731,162 be approved;
4. That the Programme be financed as set out in the report and the use of internally borrowed funds from the Council's cash balances of £617,000 be approved.
5. That the potential future liabilities outlined in Appendix 2 be noted

WARDS AFFECTED

All

STRATEGIC LINK

The Council's Capital Programme takes into account all the priorities and targets within the Corporate Plan and these are identified in the Capital Strategy. The Proposed Capital Programme will assist in delivering Council services that are important to residents' well-being and the Dales economy.

1 REPORT

1.1 Background and Introduction

The Council approved the initial Capital Programme for 2020/21 at the Council meeting on 5th March 2020. The programme has subsequently been updated at the Council meeting on 27th August 2020, following closure of the Council's accounts for 2019/20, and on 14 December 2020 to approve new bids and cost revisions on some schemes. This report identifies new bids and highlights a funding requirement of £617,000 if all of the outlined potential schemes are approved.

1.2 New Schemes

The revised Capital Programme includes a new scheme (shown in Table 1 below), which is the subject of a report elsewhere on the agenda for this Council meeting.

New schemes are prioritised to reflect:

High Priority (shaded green): Projects that directly support the delivery of Corporate Plan priorities; which can be funded from within existing capital resources and can be delivered within a timescale of 12 months.

Medium Priority (shaded Amber): Projects that directly or indirectly support the Corporate Plan Priorities; can be funded from within existing capital resources and can be delivered within a timescale of 2 years.

Low Priority (shaded red): Projects where the costs are yet to be determined or cannot be implemented without external grant assistance or financial borrowing.

Table 1: New Bid

Scheme	Priority	2020/21	2021/22	2022/23 onwards	Source of Finance
Decarbonisation scheme at Ashbourne Leisure Centre	Low	0	734,006	0	Grant

1.3 Revised Capital Programme 2020/21

1.3.1 Proposed Capital Expenditure 2020/21

The revised capital programme for 2020/21 has been updated to reflect new bids and is summarised below:

Priority	Revised Budget 2020/21 £
People	37,200
Place	936,906
Prosperity	2,261,736
Other	4,555,143
Total Capital Expenditure	7,790,985

The spending shown in the table above is the aggregate of the scheme costs. All grants and contributions have been dealt with as part of the financing arrangements (shown below). The major projects where expenditure is forecast to be more than £250,000 for 2020/21 are as follows:

Major projects 2020/21	£
Disabled Facilities Grants	401,736

Social Housing Grant – Rural Villages	255,000
Non Traditional Homes Improvement Schemes	800,000
Social Housing Grant – Bakewell Road, Darley Dale	570,000
Energy Efficiency GHG LAD Phase 1B	880,000
Commercial Vehicle Renewal Scheme	464,350
Waste Vehicles – Waste Contract	3,612,382

1.3.2 Financing Arrangements 2020/21

The overall financing package for forecasted expenditure in 2020/21 is as follows:

Sources of Funding	£	£
Capital Receipts		701,376
Grants and Contributions		1,951,736
Use of Reserves:		
Capital Programme Reserve	359,871	
Grants Unapplied Reserve including Section 106	635,000	
Information Technology Reserve	9,000	
Vehicle Renewals Reserve	464,350	
Carsington Reserve	20,070	
Customer Innovation Reserve	28,200	
Waste Vehicles Reserve	3,612,382	
Total Reserves		5,128,873
Total Financing		7,790,985

1.3.3 Carry Forwards 2020/21

Following a review of the Capital Programme at the end of January, Project Managers have revised their spending expectations for 2020/21. This has resulted in a proposed Carry Forward of £2,706,173 from the budgeted spend of £10,386,944 as forecasted in November. This includes an additional grant of £110,266 for the Disabled Facilities Grant schemes. The Carried Forward Grant has been added to the 2021/22 budgets pending approval.

The table below provides details of amounts over £50,000 carried forward from 2020/21 to 2021/22.

Project	Amount carried forward (£)
Blenheim Road, Ashbourne	250,000
Disabled Facilities Grants	200,000
Bakewell ABC Car Park improvements	77,781
Ashbourne Pavilion Project Works	114,573
Ashbourne Pavilion Project Grant	175,000
Ashbourne Memorial Gardens and Bandstand	60,000
Empty Homes - Council Houses	300,000
Social Housing Programme (Various sites)	825,000
Hurst Farm Social Club	110,000
Non Traditional Homes improvement schemes	251,295

1.4 Revised Capital Programme 2021/22

1.4.1 Proposed Capital Expenditure 2021/22

The revised capital programme for 2021/22 has been updated to reflect the new bid and is summarised below:

Priority	Revised Budget 2021/22 (£)
People	11,000
Place	1,832,230
Prosperity	4,902,790
Other	832,139
Total Capital Expenditure	7,578,159

The spending shown in the table above is the aggregate of the scheme costs and includes the proposed Carry forward from 2020/21 of £2,706,173. All grants and contributions have been dealt with as part of the financing arrangements (shown below). The major projects where expenditure is forecast to be more than £250,000 for 2021/22 are as follows:

Major projects 2021/22	£
Blenheim Road Redevelopment	250,000
Disabled Facilities Grants	691,470
Social Housing Grant – Matlock YMCA	500,000
Social Housing Grant – Wirksworth Community Land Trust	350,000
Social Housing Grant – Harlaam Wirksworth	280,000
Empty Homes - Council Houses	300,000
Commercial Vehicle Renewal Scheme	280,000
Potential Purchase of land at Longcliffe	250,000
Bakewell Road, Matlock Development	790,820
Decarbonisation scheme at Ashbourne Leisure Centre	734,006

1.4.2 Financing Arrangements 2021/22

The overall financing package for forecasted expenditure in 2021/22 is as follows:

Funding Source	£	£
Capital Receipts		1,439,871
Grants and Contributions		691,470
Use of Reserves:		
Capital Programme Reserve	1,340,599	
Carsington Reserve	6,690	
Grants Unapplied Reserve including Section 106	3,013,579	

Information Technology Reserve	81,000	
Economic Development Reserve	10,000	
Vehicle Renewals Reserve	280,000	
Invest to Save Reserve	564,950	
Total Reserves		5,446,818
Internal Borrowing"		150,000
Total Financing		7,578 159

*See 1.5.3 below.

1.5 Revised Capital Programme 2022/23 Onwards

1.5.1 Proposed Capital Expenditure 2022/23 Onwards

The revised capital programme for 2022/23 onwards has been updated to reflect new bids and is summarised below:

Priority	Revised Budget 2022/23 Onwards £
Prosperity	491,470
Place	467,000
Other	772,692
Total Capital Expenditure	1,731,162

The spending shown in the table above is the aggregate of the scheme costs. All grants and contributions have been delayed, as part of the financing arrangements (shown below). The major projects where expenditure is forecast to be more than £250,000 for 2021/22 are as follows:

	£
Disabled Facilities Grants	491,470
Commercial Vehicle Renewal Scheme	536,000
Climate Change Roof mounted PV	467,000

1.5.2 Financing Arrangements 2022/23 Onwards

The overall financing package for forecasted expenditure in 2022/23 onwards is as follows:

	£	£
Capital Receipts		110,000
Grants and Contributions		491,470
Use of Reserves:		
Capital Programme Reserve	70,000	

Carsington Reserve	6,692	
Vehicle Renewals Reserve	536,000	
IT Reserve	50,000	
Total Reserves		662,692
Internal Borrowing*		467,000
Total Financing		1,731,162

*See 1.5.3 below.

1.5.3 Internal Borrowing

Internal borrowing is a treasury management practice, whereby an authority delays the need to borrow externally, by temporarily using cash it holds for other purposes, such as funds held in earmarked reserves. This allows the authority to avoid paying interest costs until the original expenditure planned for the 'borrowed' cash falls due.

Our estimated figure of gross internal borrowing is a cumulative measure of the potential liabilities from this form of financing at any point in time.

While there is an expectation that internal borrowing needs to be repaid, it does not represent a formal debt which necessarily needs to be settled in full in the same way as external borrowing

The proposed schemes to install a Biomass Boiler and Roof Mounted Photovoltaic solar panels to Matlock Town Hall is estimated to cost £617,000 in total. Funding for these schemes cannot currently be financed from the Council's Capital reserves, and no external Grants or Contributions are currently available for this purpose.

The Biomass Boiler installation is due to take place in 2021/22 and the Roof mounted Photovoltaic solar panels project is due to take place in 2022/23. If funding from reserves or contributions cannot be identified before the work commences, financing can be sought internally from the Council's working capital cash balances. The loss of investment income would be minimal due to falling interest rates.

The revenue Impact of internal Borrowing on the Council's Budget from 2021/22 onwards is shown below:

Scheme	Cost	Useful Life	Estimated Cost of Minimum Revenue Provision (MRP) per annum	Forecast Savings Generated per annum	Net Revenue Effect
Town Hall Biomass Boiler	£150,000	20 years	£7,500	(£10,000)	(£2,500)
Roof Mounted PV	£467,000	25 years	£18,680	(£64,000)	(£45,320)

1.6 Sources of Funding for Capital Programme

1.6.1 Reserves and Balances

The table below shows the forecasted impact on the Council's Reserves and Balances of the above proposals:

Reserves	Opening balance (£)	Internally Borrowed Funds (£)	Expected Receipts (£)	Used In Capital Programme (£)	Estimated Balance 31 March 2024 (£)
Capital Receipts	2,962,476		550,000	3,302,330	210,146
Section 106	6,289,844			4,483,255	1,806,589
Capital Programme Reserve	1,807,120			1,807,120	-
Other Strategic Reserves	3,990,601		600,000	4,590,601	-
Capital Grants	235,693		3,897,626	2,300,000	1,833,319
Internal Borrowing	-	617,000		617,000	-
Total Funding	15,285,734	617,000	5,047,626	17,100,306	3,850,054

1.6.2 Officer Comments

The table above demonstrates that, if the capital programme proposals set out in this report are approved, sources of capital funding are forecast to reduce to £3,850,054 by 31 March 2024. However, grants and contributions and the amounts in other strategic reserves are set aside for specific purposes; if these are excluded the amount available for new capital schemes reduces to only £210,146.

The Corporate Leadership Team has identified a number of future capital liabilities and potential new projects that will be required in the next two years that have not been included in this revised capital programme. These projects are set out in Appendix 2. They total £85,000 but do not include the estimated cost of a traveller site, works at Lovers Walk or works identified in condition surveys at the Town Hall.

For a small district council in the current economic climate a capital programme of £17 million can be seen as fairly healthy. Members should note, however that much of the capital programme is spent on enhancing and replacing existing assets and that existing funds are likely to be depleted by 2023/24 and there will be a requirement for internal borrowing of £617,000.

2 RISK ASSESSMENT

2.1 Legal

The capital programme report has no legal implications as spending is within Council budgets. Internal borrowing is permitted under relevant guidelines.

2.2 Financial

If the proposed capital programme is approved, there is a need to borrow internally to meet the financing requirements of the capital programme for 2020/21 to 2023/24 onwards and most of the Council's sources of funding (except grants and contributions that can only be used for specific purposes) will be depleted by 31 March 2024, leaving little for future projects and capital improvements to existing assets. The financial risk, therefore, remains high.

The Council's Financial Strategy, approved in March, states that "Any under-spending on the revenue account will be transferred to strategic reserves to finance the Capital Programme, top up the Investment Fund or to prepare for future revenue account pressures". Should an under-spending arise, capital financing requirements will be considered alongside other financial pressures. The Financial Strategy also states "The revenue consequences of all capital schemes should be assessed and included in the Medium Term Financial Plan"; such costs and potential income streams are identified as part of the business case for each capital project.

A risk assessment of the Capital Programme has been undertaken in the formulation of the schemes. The most significant risks are:

- Forecast capital receipts may not be achieved;
- Overspending on capital schemes with no available finance to meet the overspending;
- Budgets for individual projects may be insufficient when tenders are received;
- Insufficient funding for future projects (the Council's future requirement to finance mandatory Capital expenditure, such as Disabled Facility Grants, will need to be kept under review);
- Insufficient funding to deal with unforeseen capital expenditure, for example, if there was a requirement similar to the costs of addressing structural damage at the Memorial Gardens Toilets.

3 OTHER CONSIDERATIONS

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix 1: Capital Programme

Appendix 2: Potential Future Liabilities

Appendix 1 Capital Programme by Corporate Priority

People									
Service Area	Earmarked Schemes	Corporate Priority (new)	Total Capital Programme approved December 2020	2020/21 including new schemes March Council	2021/22	2022/23	2023/24	Total Capital Programme approved March Council	
Resources	V13 Income Management system upgrade	People	20,000.00	9,000.00	11,000			20,000	
Chief Executive	Customer Innovation Project - White Space	People	15,000.00	15,000.00				15,000	
Chief Executive	Customer Innovation Project - Direct Debit set up	People	13,200.00	13,200.00				13,200	
	Total Programme	Total	48,200	37,200	11,000	-	-	48,200	

Place								
Service Area	Earmarked Schemes	Corporate Priority (new)	Total Capital Programme approved December 2020	2020/21 including new schemes March Council	2021/22	2022/23	2023/24	Total Capital Programme approved March Council
Housing Services	Hurst farm Estate Cladding Programme	Place	51,296	-	51,296			51,296
Housing Services	Non Traditional Homes improvement schemes	Place	1,000,000	800,000.00	200,000			1,000,000
Regulatory Services	Condition Surveys - Parks & Pavilions	Place	67,355	20,000.00	47,355			67,355
Community & Environme	Ashbourne Pavillion Project	Place	150,573	36,000.00	114,573			150,573
Community & Environme	Ashbourne Pavillion Project Grant	Place	175,000	-	175,000			175,000
Community & Environme	Bakewell Riverside Path	Place	10,000	-	10,000			10,000
Community & Environme	Hall Leys Park Ranger Station	Place	1,157	1,157.00				1,157
Community & Environme	Bakewell Riverside Path	Place	3,749	3,749.00				3,749
Regulatory Services	Ashbourne Memorial Gardens and Bandstand	Place	70,000	10,000.00	60,000			70,000
Regulatory Services	Climate Change: Energy Efficiency Measures	Place	65,000	-	65,000			65,000
Regulatory Services	Climate Change: Town Hall Biomass Boiler	Place	150,000	-	150,000			150,000
Regulatory Services	Climate Change: Electrification of Heater	Place	55,000	-	55,000			55,000
Regulatory Services	Climate Change: Roof mounted PV	Place	467,000	-		467,000		467,000
Community & Environme	Surface repairs & full relining of car parks	Place	21,000	21,000.00				21,000
Community & Environme	Reinstatement of paths at Broadwalk Park	Place	10,000	10,000.00				10,000
Community & Environme	Extensive structural & roof repairs required at Hall Leys Park Clock Tower	Place	40,000	-	40,000			40,000
Community & Environme	Resurfacing of of Paths in Hall Leys Park	Place	30,000	-	30,000			30,000
Community & Environme	Ashbourne Recreation Gound Footbridge replacement	Place	40,000	-	40,000			40,000
Community & Environme	Ashbourne Recreation Building Rationalisation	Place	45,000	15,000.00	30,000			45,000
Community & Environme	Dimple Palying Fields, Matlock	Place	30,000		30,000			30,000
Community & Environme	Hall Leys Park Play area - Plant Equipment	Place	20,000	20,000.00				20,000
Regulatory Services	Decarbonisation - Ashbourne Leisure Centre	Place			734,006			734,006
	Total Programme	Total	2,502,130	936,906	1,832,230	467,000	-	3,236,136

Prosperity									
Service Area	Earmarked Schemes	Corporate Priority (new)	Total Capital Programme approved December	2020/21 including new schemes March Council			Total Capital Programme approved March		
			2020	2021/22	2022/23	2023/24	Council		
Regeneration & Policy	Blenheim Road	Prosperity	250,000	0	250,000		250,000		
Regulatory Services	Disabled facilities Grants	Prosperity	1,474,410	401,736	691,470	491,470	1,584,676		
Housing Services	Social Housing Grants - Bakewell Lady Manners School	Prosperity	80,000	80,000			80,000		
Housing Services	Social Housing Grant - Cromford / Matlock Bath	Prosperity	100,000	0	100,000		100,000		
Housing Services	Social Housing Grant - Tideswell	Prosperity	412,500	0	412,500		412,500		
Housing Services	Social Housing Grant - Rural village affordable Housing Grant	Prosperity	410,000	255,000	155,000		410,000		
Housing Services	Social Housing Grant - Darley Dale	Prosperity	157,500	0	157,500		157,500		
Housing Services	Social Housing Grant - Luke Lane / Mercaston Lane	Prosperity	135,000	0	135,000		135,000		
Housing Services	Social Housing Grant - Matlock YMCA with NCHA	Prosperity	500,000	0	500,000		500,000		
Housing Services	Social Housing Grant - Wirksworth community land trust	Prosperity	350,000	0	350,000		350,000		
Housing Services	Social Housing Grant - Bakewell Alms-house Trust	Prosperity	35,000	0	35,000		35,000		
Housing Services	Social Housing Grant - Bakewell Road, Darley Dale	Prosperity	570,000	570,000			570,000		
Housing Services	Social Housing Grant - Harrison Alms-house Charity	Prosperity	26,500	0	26,500		26,500		
Housing Services	Social Housing Grant - Ashbourne Empty Property Buy Back	Prosperity	25,000	25,000			25,000		
Housing Services	Hurst Farm Social Club	Prosperity	110,000	0	110,000		110,000		
Housing Services	Social Housing Grant - Bradwell	Prosperity	40,000	40,000			40,000		
Housing Services	Social Housing Grant - Calver	Prosperity	43,000		43,000		43,000		
Housing Services	Social Housing Grant - Matlock Almshouse Trust	Prosperity	212,000		212,000		212,000		
Housing Services	Council Housing Station House	Prosperity	104,000		104,000		104,000		
Housing Services	Social Housing Grant - Wirksworth	Prosperity	280,000		280,000		280,000		
Housing Services	Empty Homes - Council Houses	Prosperity	300,000	0	300,000		300,000		
Housing Services	Energy Efficiency GHG: LAD Phase 1B	Prosperity	880,000	880,000			880,000		
Economic Developmen	Potential Purchase of land at Longcliffe	Prosperity	250,000	0	250,000		250,000		
Economic Developmen	Bakewell Road, Matlock Development	Prosperity	800,820	10,000	790,820		800,820		
Total Programme		Total	7,545,730	2,261,736	4,902,790	491,470	0	7,655,996	

Appendix 2

<u>UNFUNDED PROJECTS AND FUTURE LIABILITIES</u>		
Project	Details	Estimated cost £
Burials Review	Repairs identified in 2009 survey	44,000
Bakewell Cemetery Chapels	Repairs to roofs	20,000
Traveller Site	New site(s) to meet housing need	TBD
Lovers Walks, Matlock Bath	Detailed inspection of cliff faces, design of scheme & cost of remedial works	TBD
Matlock Town Hall	Replace metal windows (identified in 2014 condition survey)	TBD
WiFi Server Replacement	Replacement WiFi at Matlock Town Hall, deferred pending a review of future Town Hall use and service demands	21,000
	Total	85,000