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Council

28 July 2022

Report of the Director of Resources

## **CAPITAL PROGRAMME OUT-TURN 2021-22 & REVISED CAPITAL PROGRAMME 2022-23 TO 2024-25**

### **PURPOSE OF REPORT**

This report outlines the out-turn position for 2021/22 and the revised the Capital Programme for 2022/23 to 2024/25. A number of new projects are proposed for inclusion, subject to successful funding bids.

### **RECOMMENDATION**

1. That the provisional Capital Out-turn, as detailed in Appendix A, and financing arrangements for 2021/22, in the sum of £4,451,000 are approved;
2. That the explanations regarding significant variances in planned and actual capital expenditure for 2021/22 are noted;
3. That the revised Capital Programme as detailed in Appendix B and financing arrangements for 2022/23 to 2024/25, in the sum of £12,578,885 are approved, including new projects totalling £1,515,668 as outlined at paragraph 1.7 plus additional allocations for future year Disabled Facilities totalling £1,203,472
4. That in respect of the UK Shared Growth Prosperity Fund, delegated authority be given to the Director of Regeneration in consultation with the Director of Resources to revise Revenue and Capital allocations and the budget each year, subject to meeting the government funding conditions.
5. That the balance of funds available over the 3-year programme, shown at Appendix C, is noted.

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

The above recommendation contributes to all of the Council's Corporate Plan Priorities.

## **1 CAPITAL OUT-TURN REPORT**

Introduction

- 1.1 At Council on 25<sup>th</sup> March 2022, a revised capital budget of £5,167,703 was approved. During April 2022, delegated approval was given by the Chair of Community & Environment to add a project for the inclusion in the 2021/22 Capital Programme. This project is to complete Energy Efficiency Upgrade to social and private housing. The financial elements of the project are as follows:-

Energy Efficiency Works – LAD2	
Total project cost	£769,801
Funded by:-	£575,000
LAD 2 programme – Government Funding	
LAD 2 capitalisation costs – Government Funding	£ 51,750
Disposal Receipts (Capital Receipts)	£143,051

- 1.2 This project brings the Revised Capital Programme for 2021/22 value to **£5,937,504**.
- 1.3 The total spend for 2021/22 was £4,451,000 therefore there was an overall underspend of £1,486,504. The programme was financed as follows:-

<b>Sources of Financing</b>	<b>£</b>
Capital Receipts	1,244,386.57
Capital Programme Reserve	575,375.25
S106 Contributions	844,733.54
Grants	1,594,356.34
IT Reserve	26,648.30
Waste Vehicle Reserve	144,529.00
General Fund contributions	20,971.00
	<b>4,451,000.00</b>

### **Out-turn Summary**

- 1.4 The expenditure incurred against each project is outlined at Appendix A. The Appendix provides explanations for material under and overspends and whether the project has been concluded. Generally, where projects are still continuing budget underspends have been carried forward and added to Original 2022/23 Capital Budget.
- 1.5 Material project under and overspends are within the key points below.
- Project 270 - Disabled Facilities Grant (funded by the Better Care Fund) is underspent by £261k. Spending of this grant is demand-led. The number of grants issued has been impacted by COVID 19 but the Council has been notified of returning demand which will see expenditure increase closer to the grant award for 2022/23 of £601,736 therefore a budget at this level is proposed for 2022/23 onwards. The underspend from this year is to be transferred to the Capital Grants Reserve. A separate review is to be undertaken to determine the best use of the Disabled Facilities Grant balances with proposals to the Better Care Fund.
  - Project 288 - Social Housing Grant to Harrison Almshouses. Funding for this project has been passed directly to the Harrison Almshouses charity. The project

has overspent by £106.7k due to complex nature of the project, particularly in relation to the renovation of buildings dating from the 1840s. The original contingency set aside for the project was underestimated and together with higher costs associated with the age of the homes led to an overspend. The additional costs will be funded from Section 106 contributions.

- Project 298 - Empty Homes project. This project includes the purchase of 2 properties to make available for rent. The budget of £300k is profiled over 2 financial years therefore the excess expenditure of £14.3k in 2021/22 will be met from the 2022/23 budget.
- Project 294 - Hurst Farm Social Club. A loan has been issued to Hurst Farm Social Club for £110k but is given for cash-flow not capital purposes and has therefore been removed from the Capital Programme but added instead to the Balance Sheet.
- Project 313 - LADS 2 scheme has recently been added to the programme and work commenced therefore underspent budget of £619.6k budget will be carried forward to 2022/23.
- Project 370 - Capital Salaries. These costs represent the time spent by the Estates Team working on Capital Projects. Increased success at obtaining external funding has led to the progress of more projects but also a larger proportion of work being undertaken on capital as opposed to revenue projects. As the grant funded projects continue into 2022/23 it is proposed that the budget is increased from £25k to £50k in 2022/23 funded by capital receipts.
- Project 606 - CRM IT system had no budget for 2021/22. During the COVID period additional costs of £6k were incurred to be met from the COVID Funding Reserve. During the past month a further charge has been made from the supplier of £16k which should have been invoiced at the end of the project. This is to be financed from the ICT Reserve.
- Project 614 - LADS1 scheme has underspent by £161k. The budget level had been set including costs which were being met from a partner of the scheme.
- Project 625 - Bakewell Road Development Matlock is progressing and it is proposed to re-phase the revised budget for 2022/23 over 2022/23 and 2023/24 to reflect when expenditure is likely to be incurred.
- Project 647 - Ashbourne Leisure Centre Decarbonisation project has underspent by £65k. This government funded scheme is continuing into 2022/23 to be concluded by August 2022.
- Project 649 - Knabhall Lane Project is a project which considered the suitability as a Travellers Site. As reported to Council on 27<sup>th</sup> April 2022 the site wasn't suitable therefore the project is not proceeding at this location and costs have been charged to Revenue.

1.6 The Council has received Capital Receipts of £604.6k, £504.6k than budgeted from Right-to-Buy sales and vehicles sales. Right-to-buy receipts increased from £56k in 2020/21 to £537k in 2021/22. As 2020/21 receipts hadn't been accrued, these were

added to current year receipts. The S106 contributions of £386.5k were also invoiced during 2021/22.

### **Additional Requests & changes for Inclusion in the Capital Programme**

1.7 The following growth items to the capital programme are requested:-

- Project 307- Housing Acquisition – Derby Road Ashbourne. £40k has already been approved in the Capital Programme in 2022/23. However the addition of solar panels and battery technology has increased the cost to £46,426. These 3 homes are being purchased for £1 per property but there are some costs associated with additional items such as solar panels, turf, sheds, house numbers etc. that have been agreed with the developer. The costs are consistent with the same rates that NCHA would pay if they were taking on the homes themselves. The development is on site and should complete by the end of 2022/23. An increase in budget of £6,426 is requested, funded by S106 contributions.
- Specific budgets are in the programme as a result of some condition surveys. It is proposed to vire this budget to cover costs associated with projects 627, 652, 617 and 630.
- The Council has been successful in obtaining £69,450 funding through the Government's Changing Places Fund. The funding will provide new changing places toilets at Chatsworth House and Sudbury Hall. An increase in budget of £69,450, which is to be fully funded by grant, is requested.
- The Council proposes working with Nottingham Community Housing Association for the delivery of 33 homes at the former Dove Garage Site in Ashbourne providing affordable energy efficient homes. The overall cost of the project is £5.2m with the Council being requested to contribute £534,983 funded from S106 contributions. The Council's contribution will help finance the most energy efficient affordable housing scheme (and possibly private housing scheme) ever built in the Dales. The scheme includes elements of off-site manufacture, will be completely off gas, every home will be heated by Air Source Heat Pumps and will have a solar PV array. The scheme also delivers a substantial improvement to an existing brownfield site as well as providing much needed affordable homes in Ashbourne. The Council's allocation of S106 funding for this scheme also helps to return some of the S106 income generated from previous market led developments within the town.

1.8 The following capital allocation regarding the UK Shared Prosperity Fund is subject to a separate report on the same Agenda. The Council has been awarded an allocation of £1,954,752 to spend over 3 years. An estimated £911,235 is to be spent on capital related expenditure although the split between revenue and capital allocations to projects and the profiling of spend may be subject to change once applications are received. The current profile and recommended for inclusion in the programme has been pro-rated based upon the amount received each year.

	2022/23	2023/24	2024/25	Total
Derbyshire Dales	£237,227	£474,454	£1,243,071	£1,954,752
Estimated Capital Allocation	£110,590	£221,170	£579,475	£911,235

It is recommended that delegated authority be given to the Director of Regeneration in consultation with the Director of Resources to revise Revenue and Capital allocations and the budget each year, subject to meeting the government conditions.

### **Future Considerations for the Capital Programme**

- 1.9 The Council has been successful in bidding for £1m in funding from the National Lottery Fund to provide Hurst Farm Heritage Trail in Matlock. The project aims to enhance biodiversity and improve access to nature and green space. The total project value is £1.2m with £700,000 revenue £500,000 capital. The Council's match funding contribution is £120,000 and funded from existing revenue budgets. An individual report is to be presented to members which will include of phasing of expenditure and a recommendation to update the capital and revenues budgets accordingly.
- 1.10 Members will be aware that the Council intends to submit a bid to Round 2 of the Government's Levelling Up Fund for £15.4m centred on a package of projects in Ashbourne town centre. If the bid is successful, this project will be included in the capital programme. Some £5.04m will be project led by the Council, £6m by Ashbourne Methodist Church and £4.38 by Derbyshire County Council. The Council will be the Accountable Body so will be responsible overall for governance, financial control and delivery of this project of £15.4m.
- 1.11 The Council is considering the installation of a Solar-Farm at one of two locations within the District. Feasibility studies still continue to be undertaken and further financial consideration will be necessary.

### **Summary**

- 1.12 There is considerable change to Capital Programme as the Council has been successful in obtaining further funding from a variety of sources to commence new projects. The Proposed Capital Programme for 2022/23 to 2024/25 is shown at Appendix B.
- 1.13 The proposed financing of the Capital Programme is shown below.

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Proposed Capital Programme (including New Bids)	8,936,014	2,076,660	1,566,211	12,578,885
Financed by:-				
Capital Receipts Reserve	899,853	55,000	-	954,853
Capital Programme Reserve	884,912	90,287	-	975,199
S106 Contributions	3,311,975	100,000	385,000	3,796,975
Grants	2,831,230	822,906	1,181,211	4,835,347
Economic Development Reserve	58,000	-	-	58,000
IT Reserve	111,151	60,000	-	171,151
Invest to Save Reserve		562,510	-	562,510
Waste Vehicle Reserve	-	-	-	-
Vehicle Reserve	791,666	231,713	-	1,023,379
Corporate Plan Priority Reserve	47,227	154,244	-	201,471
Borrowing	-	-	-	-
Direct Revenue Financing	-	-	-	-
	<b>8,936,014</b>	<b>2,076,660</b>	<b>1,566,211</b>	<b>12,578,885</b>

1.14 The balance of funds available over the 3-year programme is shown at Appendix C.

## **2 RISK ASSESSMENT**

### **2.1 Legal**

The report complies with best practice and government guidance on the preparation of the Capital Monitoring. The legal risk is therefore low.

### **2.2 Financial**

Financial information is contained within the report. The proposed capital programme is fully funded.

The table in Appendix C shows that, if the recommendations of this report are accepted, sources of capital funding are forecast to amount to £5,473,209 at 31 March 2026. However, capital receipts, section 106 contributions, capital grants and the amounts in most strategic reserves are set aside for specific purposes; if these are excluded the amount available for new capital schemes reduces to £336,253. However, if reserves or grant funding are not available to finance future capital projects, the Council's Capital Strategy (approved in March 2022) indicates that other sources of finance, such as borrowing, could be considered as long as the impact on the revenue account is sustainable. This might be difficult to achieve, given the pressures on the revenue account and the fact that many capital projects don't generate a return.

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.

Taking all of the above into account, the financial risk is assessed as Medium to High.

### **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, health, human rights, personnel and property.

3.2 Climate Change:

There are not considered to be any direct climate change impacts associated with the recommendations of this report.

Impacts of specific projects are considered separately.

It is noted that in Appendix B the Council has committed £911,952 to building energy efficiency improvements, in line with the approved climate change strategy and action plan. There is also £907,500 allocated to supporting residents to improve the energy efficiency of their homes.

### **4 CONTACT INFORMATION**

4.1 For further information contact:

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### **5 BACKGROUND PAPERS**

5.1 None

### **6 ATTACHMENTS**

6.1 Appendix A – Capital Out-turn 2021/22

6.2 Appendix B - Revised Capital Programme 2022/23 to 2024/25

6.3 Appendix C – Funding of the Capital Programme.