

CABINET ADVISORY PANEL B
Monday 26 October 2020 at 5.00pm

CABINET
Thursday 29 October 2020 at 5.00pm

AGENDA

15. Capital Programme Monitoring 2020/21 (Pages 1 - 14)

Summary:

To inform Cabinet of the progress to date on the schemes in the approved Capital Programme, and to report the latest position on capital resources.

Recommendations:

1. That Cabinet notes the progress made to date on the 2020/21 Programme;
2. That the current position on the Capital Prudential Indicators, as shown in Appendix C to the report, be noted;
3. That Cabinet approves the virements between housing revenue account budgets, as detailed in the report and in Appendix A; and
4. That Cabinet approves the virement of £900,000 from the Leisure and Open Spaces budget, to the Acacia Project budget.

This page is intentionally left blank

CABINET
29 October 2020

CAPITAL PROGRAMME - MONITORING 2020/2021

1. Summary

- 1.1 To inform Cabinet of the progress to date on the schemes in the approved Capital Programme, and to report the latest position on capital resources.

2. RECOMMENDATIONS

- 2.1. That Cabinet notes the progress made to date on the 2020/21 Capital Programme.
- 2.2. That the current position on the Capital Prudential Indicators, as shown in Appendix C to the report, be noted
- 2.3. That Cabinet approves the virements between housing revenue account budgets, as detailed in the report and in Appendix A.
- 2.4. That Cabinet approves the virement of £900,000 from the Leisure and Open Spaces budget, to the Acacia Project budget.

3. Background and Discussion

- 3.1. The original budget for 2020/21 was approved by the General Assembly of the Council (GAC) on 24 February 2020 at £29,828,000 [Min No 7]. The GAC approved £1,208,000 of carry-forward from the 2019/20 programme on the 27 July 2020 [Min.No.x92] and the total budget was increased to £31,036,000.
- 3.2. Attached as Appendices A and B to this report, are details of the Capital Programme and budget for 2020/21. These detail the resources available for Housing and General Fund projects respectively, and the expenditure to the end of September 2020. Appendix C shows an updated position on the Council's Capital Prudential Indicators.

3.3 **Housing Revenue Account projects**

The approved budget for 2020/21 is £12.013m.

General housing capital projects were impacted significantly by the COVID-19 pandemic with contractors not working at the start of the financial year and then by reluctance from tenants to allow contractors into their homes. Contractors have had to change working practices to accommodate social distancing requirements. This has resulted in some of the works being diverted into works that can be completed safely outdoors or in communal areas. Whilst the overall budget is not changed, it is requested that Cabinet

CABINET
29 October 2020

approve the virement of budgets to those works that can be completed more safely, for example, roof renewals, replacement doors and communal areas. Appendix A sets out the details of the virements.

New Homes:

Work has commenced on the building of new homes at three sites; Keary Road (6 units), Mead Crescent (3 wheelchair accessible units) and Milton Road (7 units). A fourth site, Gilbert Close, received planning permission earlier this month and initial enabling works have now began.

The budget for the year was originally set to match the Council house sale income retained for the rebuilding of Council homes. The Council has three years to spend the retained funds, otherwise the unspent funds are to be paid to MHCLG with interest. However, because of the COVID19 pandemic and lockdown of the country, and the impact this has had on progressing with capital works, MHCLG agreed to an extension of the period by which the Council has to spend the retained funds earned in the first two quarters of 2017/18. This means that there was no requirement to pay back underspent funds at the end of June, nor will there be a requirement to pay back underspent funds at the end of September 2020 and instead the Council has until December 2020 to spend these retained funds. The Council will need to have spent £5.135m on new homes by the end of December 2020 to avoid having to repay the retained funds with interest. However, even with work starting on the three sites and the buy-back of former Council properties, it is looking unlikely that the total of £5.135m will have been reached and a proportion of the retained funds will need to be repaid. The Council will be approaching MHCLG to request they consider extending the deadline further in light of continued COVID-19 impacts.

In order to maximise use of the 141 capital receipts and minimise the repayment to central government of unspent monies the Council has additionally purchased 5 properties on the open market for social rent, mainly former right to buy properties, with a further 3 properties in conveyancing.

Housing IT Upgrade – underspend £137,000

The contract with Capita was signed on 14 July 2020. Working restrictions caused by COVID19 have been mostly overcome but did cause a detrimental effect on progress earlier in the year. Implementation has been condensed from 400 days to 348 days with the anticipated go live date set for 12 October 2021. The upgrade programme is made up of two strands; data migration and interfaces with other systems (this is ahead of schedule due to Dartford's data being kept in good order) and functionality (designing the system to meet the needs of the service). The latter is made up of 28

CABINET
29 October 2020

different work streams, the first of which started on 22 September 2020, the last is programmed to be completed on 15 April 2021.

Due to delays to the project, only £183,000 will be spent this year, with the under-spending from this year to be carried forward to next year to complete the project. The delays have increased implementation costs but it is anticipated that these can be contained within existing budgets.

3.4 General Fund projects:

- 3.4.1 The budget approved by GAC on 24 February 2020 was £18.248m. Following further approval by GAC on 27 July 2020 of carry forwards of £0.75m, the budget now stands at £19.023m.

Comments on the main ongoing schemes are as follows:

Acacia Hall – Overspend estimated at £900,000

The regeneration of the Acacia Estate is a complex and far-reaching project and work had reached a critical stage just prior to the COVID 19 outbreak and national lockdown. The outbreak caused unavoidable delays in the second quarter of the year but the site is now progressing well and moving forward, although there is no reasonable prospect of recovering time lost. All demolition work is now complete, including the ballroom. Entrance to the site is now diverted across Darenth Road. Bridges have been removed and work started on the foundation for three new bridges. Kerbs are being constructed for new parking and the river channel has been dug out. Work is now scheduled for completion in February 2021.

The overall project costs have been significantly impacted by COVID 19 delays and risen by approximately £900,000 due to the following:

- Section 278 construction costs have risen by approximately £140,000 as a result of the availability of materials driving up costs across the sector.
- Delays resulting from COVID 19 and 278 works have totalled £268,000 (including costs of £160,000 directly due to COVID 19) .
- River wall strengthening works £177,000 – additional work deemed necessary to protect the Mansion House from a structural perspective with regard to the new river design.
- River bank matteressing £21,000 – additional river bank requirement
- Offtake structure £113,000 – offtake structure in Central Park required as part of the river works
- Asbestos removal £48,000 – a pile of buried asbestos was found when excavating and had to be notified and professionally removed.

CABINET
29 October 2020

- Vicarage Wall Extension & Planting £31,000– Additional planting and detail on Vicarage Wall following confirmation of road levels and agreement with Diocese Surveyor.
- Approximately £100,000 of under-provision for previous year's works.

It is requested that Cabinet approve a virement from the leisure and open spaces capital budget of £900,000. Leisure and open spaces capital works were suspended during lockdown and will be allocated a new capital budget in 2021/22 to take them forward.

Leisure and Open Spaces – No spend expected

These capital works were suspended during lockdown and the Green Spaces Officer post, responsible for taking this project forward, was left vacant from March 2020 until early October. The new post holder will wish to agree a new plan of works and there is consequently not expected to be any expenditure before March 2021.

Cliff Maintenance Works – Underspend of £350,000

Work is progressing well and structural works to the cliff will commence in November and will be completed by February. The full cost of the works are likely to come in at £1.15m, which is £0.35m under the budget set.

Darenth Creek – underspend £500,000

This project is still very much in its infancy due to the amount of liaison that has been required with landowners. Spend is forecast to be around £250,000 this year with the surplus budget being taken forward to next year. However this level of spend is still dependant on obtaining consents from landowners and the Environment Agency.

Stone Lodge

Final account negotiations are still ongoing with the contractor that completed the rugby club build. A tender for the grass pitch initially came in significantly over budget but value engineering has resulted in a lower price, although still over the original budget. A report will be taken to Cabinet in November to agree the continuance of this work.

CABINET
29 October 2020

Central Park Cranford Road Entrance – No spend expected

Work has not progressed on this project due to vacant posts in the department, recruitment into those posts and cancellation of the festival (the festival being the main driver to widening the entrance).

Dartford Town Centre Transport and Public Realm Improvements

Phase 1 is now nearing completion, with a formal Completion Date of 23 October 2020 expected. The majority of the Works to laying paving and install the planters is now complete – with only the entrance to Acacia Hall and the interim finishes to Garden Area 4 (rear of Iceland) ongoing. Additional works for paving in Memorial Gardens, improvements at the Home Gardens bus stops and the new Interim car park in Acacia Hall (currently the contractor's compound) are to commence 16 November 2020, and to be complete by Christmas. This phase is subject to a 7-month over-run due to a combination of the early Thames Water issues, a number of design changes, Covid-19 and a general contractor over-run. There is to be some publicity for a soft-launch of Brewery Square, with a more formal "opening" to take place in the spring.

Tenders have been issued for both phase 1a and phase 2 works. Phase 1a involves works to the High Street and phase 2 is improvement works to Instone Road and Highfield Road. Tenders are expected back mid-October with work due to start in January 2021.

Fairfield Improvement Works – Underspend of £295,000

Planning permission was granted to create 14 additional car parking spaces at Fairfield Leisure Centre. However, due to the closure of leisure facilities for an extended period due to the COVID19 pandemic this project was put on hold. There is not likely to be any progress on this project this financial year.

Mini Pitches Refurbishment – No spend expected

The COVID 19 pandemic resulted in this project not being progressed due to staff being diverted onto other projects and contractors not being available due to lock down. The plan was for the pitches to be refurbished over the summer when pitch hire reduces. Now that the football season has started, resulting in increased pitch hire, and with the winter season not the best time for this kind of work, the refurbishment will be rescheduled to the summer of 2021.

CABINET
29 October 2020

Community Infrastructure Levy Expenditure – No spend expected

At this stage, funding has not been allocated to individual projects but an envelope for spend has been agreed. Future projects will be agreed by Cabinet.

3.5 Resources

Usable receipts brought forward into 2020/21 totalled £24.622m of which £19.501m are unrestricted receipts that can be used for any capital scheme. £5.121m is restricted to the provision of new social housing (141 receipts). The 141 receipts are required to be used on the provision of new social housing, within three years of the receipt, and match-funded in the ratio of 30:70 by other funding.

Grants and contributions brought forward into 2020/21 totalled £1.772m. A further £6.301m of grant funding is expected to be received this year to fund capital projects.

For the financial year to date £5.1m has been billed for Community Infrastructure Levy, with £4.8m due to be paid within this financial year and the remaining £0.3m due to be settled in 2021/22.

By the end of October 2020, capital receipts of £227,500 had been received arising from the Discounted Sales Scheme at The Bridge.

To date, 10 Right to Buy sales have completed, giving rise to a capital receipt of £1.85m before pooling.

It is expected that all the 2020/21 expenditure can be funded within existing resources.

4 Relationship to the Corporate Plan

The capital programme covers many individual projects and will contribute to meeting many of the objectives in the Corporate Plan.

5 Financial, legal, staffing and other administrative implications and risk assessments

Financial Implications	As discussed in the report
Legal Implications	None
Staffing Implications	None
Administrative Implications	None
Risk Assessment	There is a small risk of committed schemes needing to be curtailed due to lack of capital finance; this risk is mitigated by regular and sound budget monitoring and reporting.

CABINET
29 October 2020

6 Appendices

Appendix A Capital Programme, Planned Expenditure and Resources–
Housing Projects 2020/21

Appendix B Capital Programme, Planned Expenditure and Resources –
General Fund Projects 2020/21

Appendix C Prudential Indicators

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Date</u>	<u>File Ref</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
			Catherine Bailey 01322 343312	Financial Services Internal Services	N/A

This page is intentionally left blank

CAPITAL PROGRAMME - BUDGET & RESOURCES**HOUSING REVENUE ACCOUNT 2020/2021**

	CURRENT BUDGET 2020/2021 £'000s	PROPOSED VIREMENT £'000s	NEW CURRENT BUDGET 2020/2021 £'000s	EXPENDITURE TO DATE 2020/2021 £'000s
COUNCIL HOUSING PROJECTS				
Disabled Adaptations	250		250	25
Decent Homes Works:				
Central Heating Renewals	821	0	821	93
Rewiring	775	-131	644	122
Asbestos Removal	115	0	115	16
Rising Main Replacement	25	0	25	0
Door Replacements	550	350	900	16
Kitchen and Bathrooms	975	-775	200	37
External Wall Rendering	1,000	0	1,000	557
Fascia /Soffit Replacements	50	0	50	0
Roof Renewal	300	75	375	0
Roof Tanks/Water Mains Supply	50	0	50	0
Communal Areas	744	356	1100	2
External Chimneys	10	0	10	0
Lift Replacement	72	0	72	45
Major Repairs	115	125	240	60
Housing IT Upgrade	320	0	320	65
Supported Housing	299	0	299	0
Other Projects:				
New Homes	5,542	0	5,542	920
	12,013	0	12,013	1,958

Resources

	Brought Forward	Probable Additions in Year	Used to Fund Capital Expenditure	Carried forward
Usable Receipts (restricted)	0	0	0	0
1-4-1 Receipts	5,121	1,000	(1,663)	4,458
Grants & Contributions	648	250	(500)	398
Major Repairs Reserve	0	3,518	(3,518)	0
Revenue Contribution	0	6,332	(6,332)	0
	5,769	11,100	(12,013)	4,856

CAPITAL PROGRAMME - BUDGET & RESOURCES

GENERAL FUND 2020/2021

	CURRENT BUDGET 2020/2021 £'000s	PROPOSED VIREMENT £'000s	NEW CURRENT BUDGET 2020/2021 £'000s	EXPENDITURE TO DATE 2020/2021 £'000s
Acacia Hall - Improvements	4,063	900	4,063	1,525
IT Equipment	140		140	69
The Orchard Theatre	30		30	0
Other Corporate Properties	30		30	0
Leisure and Open Spaces	985	(900)	985	0
Cliff Maintenance Works	1,500		1,500	345
Darenth Creek	750		750	25
Stone Lodge	654		654	11
Central Park Cranford Road Entrance	60		60	0
Dartford Town Centre Transport and Public Realm Improvements	6,579		6,579	1,246
High Street Improvements	354		354	0
Fairfield Improvement Works	300		300	5
Replacement wheelie bins	50		50	0
Columbaria	50		50	0
Cemetery Storage	15		15	0
Civic Centre Refurbishment Internal Repairs and Improvements	325		325	31
Community Infrastructure Levy Expenditure	1,000		1,000	0
Mini Pitches Refurbishment	160		160	0
Co-op site	1,400		1,400	0
Housing projects:				
Disabled Facilities Grants	578		578	142
SUB TOTAL : GENERAL FUND PROJECTS	19,023	0	19,023	3,399

Resources

	Brought Forward	Probable Additions in Year	Used to Fund Capital Expenditure	Carried forward
Usable Receipts	19,501	2,400	(11,706)	10,195
Grants & Contributions	1,124	6,051	(6,157)	1,018
Community Infrastructure Levy	9,945	4,800	(1,000)	13,745
Revenue contribution/reserves	0	160	(160)	0
	30,570	13,411	(19,023)	24,958

PRUDENTIAL INDICATORS 2020/21

Prudential Indicators 2020/21

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 budget	2021/22 budget	2022/23 budget
General Fund services	19.023	8.749	3.702
General Fund – right of use assets/finance leases*	0.000	3.713	1.509
Council housing (HRA)	12.013	10.304	12.150
TOTAL	31.036	22.766	17.361

*This includes notional expenditure on recognition of right of use assets in line with IFRS16, a new accounting standard which takes effect from 1st April 2021

The right of use assets are properties that the Council leases for temporary accommodation (DPLS scheme) and the 20/21 figure is the initial recognition of these. From 2021/22 onwards the capital expenditure for right of use assets is solely new leases of temporary accommodation to replace expiring agreements.

Table 2: Capital financing in £ millions

	2020/21 budget	2021/22 budget	2022/23 budget
External sources	7.657	7.534	4.472
Contribution From Revenue/Reserves	10.010	8.263	9.185
Right of use assets/finance leases MRP*	0	1.290	0.221
Capital Receipts	13.369	3.256	2.195
Right of use assets/finance leases Capital Financing Requirement**	0	2.423	1.288
TOTAL	31.036	22.766	17.361

* This is equivalent to the current revenue cost of the leases.

**Increases in debt/capital financing requirement is the recognition of right of use/finance assets which will increase CFR initially but will be gradually extinguished with the revenue cost of the leases applied each year.

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Table 3: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 forecast	31.3.2023 forecast
General Fund services	1.215	1.024	3.252	3.147
Council housing (HRA)	51.408	46.963	37.518	33.975
Capital investments	0	0	0	0
TOTAL CFR	52,623	47.987	40.770	37.122

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key

indicator of prudence.

Table 4: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2020 actual	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
Debt	51.405	46.961	37.518	33.975
Capital Financing Requirement	52.623	47.987	40.770	37.122

Total debt is expected to remain at or below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities can comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt. The level set includes an allowance for the possibility of significant payments due to successful business rate appeals.

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 5: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit – borrowing	120	120	120
Authorised limit – PFI and leases	20	20	20
Authorised limit – total external debt	140	140	140
Operational boundary – borrowing	100	100	100
Operational boundary – PFI and leases	15	15	15
Operational boundary – total external debt	115	115	115

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Table 6: Prudential Indicator: Proportion of financing costs to net revenue stream

Proportion of net revenue stream:	2020/21 budget	2021/22 budget	2022/23 budget
General Fund	0.04%	-0.60%	-1.23%
Housing Revenue Account	5.72%	5.18%	4.09%