

**CABINET**  
**21 July 2022**  
**GENERAL ASSEMBLY OF THE COUNCIL**  
**25 July 2022**

**CAPITAL PROGRAMME INCLUDING PRUDENTIAL INDICATORS -  
OUTTURN 2021/2022**

1. Summary

- 1.1 To inform Cabinet of the final pre-audit figures for the 2021/22 Capital Programme, the capital resources that were used to fund it and those that remain available to fund future investment.

2. RECOMMENDATIONS

**TO CABINET**

- 2.1. That the draft outturn for the capital programme for 2021/22, be noted.
- 2.2. That the draft outturn position for 2021/22, on capital resources, and the balance available to be carried forward into 2022/23, be noted.
- 2.3. That the General Assembly of the Council be recommended to carry forward the total capital budget into 2022/23, as set out in Appendix C to the report.
- 2.4. That the outturn position on the Capital Prudential Indicators, as shown in Appendix D, be noted.

**TO GENERAL ASSEMBLY OF THE COUNCIL**

- 2.5. That the capital budget be carried forward into 2022/23, in accordance with Appendix C, thereby increasing the total capital budget by £3.015m.

3. Background and Discussion

- 3.1. The original budget for the 2021/22 Capital Programme was approved by the Council on 1 March 2021 [Min.No.6] at £27.307m and was later increased by the General Assembly of the Council (GAC) to include funding for continuing projects carried forward from 2020/21 and by Officer delegated authority for projects that became necessary during the year. The final approved budget for 2021/22 was £29.804m.
- 3.2. The probable outturn of £19.649m was reported to the GAC on 28 February 2022 [Min.No. 6].
- 3.3. The final outturn (subject to audit) on the Capital Programme was £16.427m.

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3.4. Appendix A details the outturn for 2021/22, and the resources available to fund future years' projects, which specifically relate to Housing. Appendix B gives the same information for all other projects. Both Appendices show the:

- Current Approved Budget – the original budget plus any approved virements during the year.
- Probable Outturn – the indicative outturn position as reported to the GAC on 28 February 2022.
- Outturn – the actual outturn for the year.
- Variance – the difference between probable and actual outturn
- Resources: showing the resources brought forward from earlier periods, those added in the year, how much was used to finance capital expenditure in 2021/22, and the amount available to be carried forward to fund future expenditure.

Appendix C shows the residual budget requirement necessary to complete the 2021/22 projects, which will be carried forward into 2022/23.

Appendix D shows the outturn position on the Capital Prudential Indicators.

3.5 Reasons for the main variances (over £50,000 in value) between the probable outturn and the actual outturn are detailed below:

**3.5.1 Council Housing Projects – more than projected by £303,000**

Overall, there was an over spend when compared to probable outturn of £303,000. The new build housing project increased spend compared to probable outturn was £676,000, whilst other projects spent less by a total of £373,000. However, the outturn was significantly lower than the original budget set. A total of £521,000 for decent homes works is proposed to be carried forward to enable work delayed during 2021/22 to be completed.

The individual variances greater than £50,000 between outturn and projection are as follows:

**Disabled adaptations – less than projected by £72,000**

The underspend value relates to a ground floor extension to enable a family to remain at home, giving them the additional space and specific adaptations that they need. The project did not commence until the new financial year due to mobilisation delays. The project is now 90% complete and will be completed within the next two weeks.

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**Garage improvements – less than projected by £50,000**

In 2021/22, the Council awarded a contract to Secure Parking and Storage, for managing the garage lettings and accounts, including drawing up plans to complete capital improvements to the garage sites in most demand, to improve revenue. The contract was mobilised well and the capital expenditure plans are now in place. It is anticipated that the full budget will be spent in 2022/23.

**New House Building – more than projected by £676,000**

The value of works that would be completed by the main contractor TSG was underestimated at projection stage. Both the Keary Road and Milton Road schemes were almost complete by the end of 2021. Expenditure was well within the budget set for the year and is funded 40% by 1-4-1 receipts.

**Central Heating Renewals – more than projected by £63,000**

The Council has an ongoing upgrade programme of replacing boilers with new A rated efficient boilers. During the year, as properties become empty, if boilers are identified as requiring an upgrade this will be completed whilst void, ready for the new occupants. During 2021/22, there was an increase in voids and an increase in voids requiring new boilers, resulting in an overspend.

**Kitchens & Bathrooms – more than projected by £252,000**

Following a slow start to this programme, mid-year projections reflected the available labour and resource there was at that time which, had been impacted by the pandemic. However, by identifying and on boarding a new resource, the contractor Breyer Group was able to increase the volume of bathrooms, meaning a significant improvement on programme delivery to that previously advised. Pleasingly, the new resource remains available to deliver this programme of works and excellent progress is already being made during 2022/23.

**External wall rendering – less than projected by £256,000**

The Council was originally working to 31<sup>st</sup> March 2022 deadline for spending the grant funding for this project, but the deadline has since been extended which has allowed the Council more time to identify properties and get works completed. There is £165,300 of the grant remaining which can be used on other energy efficiency improvement works, not just external wall rendering. The Council must contribute towards the works and therefore the underspend will be rolled forward to 2022/23 to enable use of the remaining grant.

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**Door entry systems – less than projected by £58,000**

The contract for door entry system work was awarded in February 2022 and work began in March 2022. As work was not completed at the end of March, the underspend is required to be carried forward to 2022/23 to complete the work.

**Major repairs – less than projected by £73,000**

The scope of works that this spend relates to has been extended meaning the tender of works originally scheduled for 2021/22 has been revised and will now be advertised during 2022/23.

**3.5.2 Backlog**

There is still a backlog of HRA major replacements. As at 31 March 2022, this stood at £3.08m (£3.5m as at 31 March 2021). These repairs are continuously reviewed and updated by the Housing Maintenance Manager and are included in programmes of work, as appropriate. A sum of £7.05m is set aside in 2022/23 for works to the existing HRA stock and it is considered that the backlog sum is manageable in the context of the overall capital and revenue works programmes.

**3.5.3 General Fund Projects:** overall, the programme underspent against the projection by £3.52m. A total of £2.494m is proposed to be carried forward to enable work delayed during 2021/22 to be completed. Reasons for the main variances (over £50,000 in value) between the probable outturn and the actual outturn are detailed below:

**Acacia Hall – less than projected by £83,000**

The final bill and retention from the main contractor came in slightly lower than estimated. Work to the main site is complete but some additional work is now required to building D and this will be completed during 2022/23. The work is estimated at £13,000 and this amount has therefore been requested as a carry forward into 2022/23. A further £60,000 of the underspend is proposed to be carried forward to fund energy efficiency works that have been identified at Fairfield Leisure Centre.

**The Orchard Theatre – less than projected by £200,000**

Work to be done included installation of PV panels on the roof but a survey identified work would be required to the roof before the panels could be installed. This has delayed the works, which will now be completed during 2022/23. The underspend is requested to be carried forward but vired into the decarbonisation budget to complete the work.

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**Stone Lodge – less than projected by £57,000**

The final bill for the project came in lower than originally anticipated. Works are complete.

**Town Centre Transport & Public Realm Improvements – less than projected by £1,088,000**

Some of the work, originally set to be completed by the contractor for phase 1a, has been removed from the main contract and will be managed and completed directly by the Council during 2022/23. Phase 2 contract was terminated and will be re-procured during 2022/23.

**Civic Centre Refurbishment – less than projected by £81,000**

Main works to the building are complete but a project to create an outdoor space for staff has been identified and it is therefore requested to carry forward £20,000 of this underspend to fund that work. The remaining underspend of £61,000 is proposed to be carried forward together with £39,000 of the underspend on the Darenth Creek project, to fund a new columbaria at Watling Street cemetery. There is a budget of £50,000 for this project in 2022/23 but costs have significantly increased since the last time one was purchased, the cost of granite being the major contributor. A further £100,000 is required to ensure this project can be completed.

**Green homes local authority delivery scheme – less than projected by £387,000**

This is a fully grant funded scheme that was due to be completed by 31<sup>st</sup> March 2022. The deadline for completion of the works has been extended until 31 August 2022, which has allowed more time for properties to be identified and works carried out. There is just under £408K of grant funding remaining and this is therefore requested to be carried forward into 2022/23.

**Public sector decarbonisation fund – less than projected by £1,659,000**

The grant funded project for decarbonisation works at the Orchard Theatre, Civic Centre and Acacia Sports Hall had an original deadline date of 31<sup>st</sup> March 2022 but was extended to 30 June 2022. Mobilisation took longer than anticipated but work had started before the end of March. Work has continued at pace since the start of the financial year. The unspent budget of £1,659,000 is requested to be rolled forward to 2022/23 together with the £200,000 from the Orchard Theatre budget to complete the works.

**Warm homes fund works – more than budget by £172,000**

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The Council has received grant funding from the Warm Homes Fund, SSE, KCC and Southern Gas Networks to install first time gas central heating in properties across Kent. There was no original budget set for this, as award of the grants were not guaranteed. Works under this scheme will continue during 2022/23.

**Disabled Facilities Grant – Less than projected by £60,000**

It is always difficult to estimate exactly how much of the grants that have been applied for and approved will have had work completed before the end of the year by the applicant. This year there was slightly less than was projected.

- 3.5.4 **Appendix C** shows the residual budget requirement in 2022/23 necessary to complete projects from 2021/22 or fund work that has been identified since the budget was set. In all cases other than the green homes local authority delivery scheme, the total residual budget required is the difference between the probable outturn and actual outturn or less and can be funded from existing resources. The green homes local authority delivery scheme carry forward amount matches the full amount of grant funding remaining but is slightly more than the difference between outturn and probable outturn as some work, not expected to be completed in year at probable outturn stage, can now be done because of the deadline extension.

**3.6 Capital Resources**

- 3.6.1 Capital receipts of £1.68m were received in respect of redemptions relating to the discounted sale scheme at The Bridge. Capital receipts of £0.68m relating to The Bridge were realised as a distribution as per the overarching agreement with Prologis.
- 3.6.2 Right to Buy sales: a total of 26 properties were sold during the year, which is 10 more than those sold in 2020/21. This produced a capital receipt of £4.16m, of which £0.35m was paid to DLUHC under legislation concerning the pooling of housing capital receipts. A sum of £2.90m is earmarked as “one for one” receipts and must be used on the provision of new social housing within three years of receipt, and match-funded in a ratio of 40:60 from other eligible funding sources.
- 3.6.3 Other miscellaneous receipts totalled £0.27m and included an insurance claim for a stolen vehicle and overage from a piece of land sold a few years ago. A further £0.07m of lease income was reclassified as capital receipts.
- 3.6.4 The balance of usable receipts for general use to be carried forward into 2022/23 is £18.76m, while that of receipts restricted to New Build schemes

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stands at £4.99m making a total of £23.75m available to invest in the Council's assets.

- 3.6.5 Unapplied capital grants totalling £2.38m are being carried forward into 2022/23 and are available to finance future expenditure.
- 3.6.6 Community Infrastructure Levy (CIL) capital receipts of £26.94m are also held, to be used on future projects as agreed by Cabinet.

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.

Financial, legal, staffing and other implications and risk assessments

Financial Implications	The draft outturn on capital funded projects for 2021/22 is £16.43m, and the capital resources to be carried forward into 2022/23 total £50.69m (inclusive of £4.99m '141 receipts').  Because the projects listed in Appendix C were not completed in 2021/22, Cabinet is asked to recommend to GAC the approval of an overall increase in the 2022/23 capital budget of £3.015m. As noted in paragraph 3.5.4 this can be funded from existing resources.
Climate impact assessment	Climate impact assessments are completed by the project managers for individual projects.
Legal Implications	None
Staffing Implications	None
Administrative Implications	None
Risk Assessment	The accounts are in draft and subject to audit

5 Appendices

Appendix A - Capital Programme, Budget and Resources– Housing Projects 2021/22

Appendix B - Capital Programme, Budget and Resources – Other Projects 2021/22

Appendix C - Capital Budgets - Proposed Carry Forward into 2022/23

Appendix D - Capital Prudential Indicators 2021/22

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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>
Capital expenditure & Funding 2021/22			Catherine Bailey 01322 343312	Financial Services Corporate Services	N/A