

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

05 January 2010

Report of Management Team

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2009/10

This report reviews the current position of existing Capital Plan schemes (List A), recommends new schemes for adding to List C, recommends schemes from List C for evaluation over the coming year and recommends schemes for inclusion on List B from those List C schemes which were selected for evaluation in the 2008/09 review. Members are reminded, however, that any aspirations in respect of capital schemes need to be set within the context of the significant financial difficulties facing the Council (see report elsewhere on the agenda).

<p>NOTE: ANNEXES 1 to 4 TO THIS REPORT ARE CONTAINED IN A SEPARATE BOOKLET CIRCULATED WITH THE AGENDA</p>
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1.1 Introduction

1.1.1 The capital plan process, as outlined below, provides a means of maintaining a pool of schemes (List C) from which schemes can be selected for evaluation and possible implementation. It also provides an opportunity to review the provisions for schemes which are already in the Capital Plan.

1.1.2 The review takes place within the context of the revenue estimates, reflecting the fact that capital schemes have an impact on revenue. Positive impacts may include potential to increase income and reduction in operating costs. Negative impacts may include loss of income during construction and will include loss of investment income where the project costs are met from the Council's resources.

1.2 Capital Plan Funding

1.2.1 Members will be aware that as a consequence of the current economic climate and the overall position with the public finances that the Council is facing significant financial pressures.

- 1.2.2 Capital expenditure is funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets. The revenue reserve for capital schemes provides the main source of funding for existing and any new schemes that are introduced into the Capital Plan.
- 1.2.3 It is important to ensure that the revenue reserve for capital schemes can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of our assets which deliver services as well as providing money for statutory services, e.g. Disabled Facilities Grants. In order to get to this position, last year Cabinet agreed to adopt a new approach with regard to the preparation of the Capital Plan.
- 1.2.4 It is probably worthwhile just reminding ourselves of the new approach where, other than funding for the replacement of our assets which deliver services as well as providing money for statutory services, there is now an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. This allowance based on current projections works out on average at £600,000 per year if we do not wish to have recourse to borrowing until at least the contribution to the reserve matches the funding required for the replacement of our assets and providing money for statutory services.
- 1.2.5 However, after the next General Election and subsequent Spending Review there will undoubtedly be a need to again revisit the capital plan process and the funding of capital expenditure as part of a fundamental review of our overall finances.

1.3 Capital Plan Review Process

- 1.3.1 The Capital Plan consists of three main elements:
- List C is a holding list of schemes which have not been fully worked up. List C schemes can be in two states – schemes which have been retained on List C for possible future adoption and schemes which have been selected for evaluation, effectively short-listed for adoption.
 - List B is a holding list of List C schemes which have been evaluated and not eliminated. The presumption is that, subject to budget guidance, these schemes will be adopted for inclusion in List A.
 - List A is the approved capital programme. Schemes will be selected from List B for inclusion in List A in accordance with budgetary guidance. This selection will be carried out in conjunction with the revenue budget process.
- 1.3.2 The role of this Board is to consider four aspects of the review process and make recommendations to Cabinet on 13 January. The four aspects are:

- A review of existing Capital Plan schemes.
- The addition of new schemes to List C.
- The selection of schemes from List C which are considered suitable for evaluation over the following year.
- Consideration of those List C schemes which have been evaluated.

1.3.3 Policy Overview Committee on 19 January will consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 2 February. Cabinet on 2 February will consider and make recommendations on the transfer of schemes from List B to List A in the light of the overall financial situation. Finally, Council on 18 February will consider recommendations from Cabinet.

1.3.4 Throughout the review process it is essential to remember that Capital Plan schemes should emerge from, or be designed to achieve, the Council's Corporate Aims and Objectives as published in Spotlight. Annexes 2, 3 & 4 contain references to the Corporate Aims and Objectives and a key to these appears in **[Annex 1]**. As the Corporate Aims and Objectives may vary from year to year, previously published references have been updated to reflect the 2009/10 edition of Spotlight.

1.4 Review of Existing Capital Plan (List A) Schemes

1.4.1 Attached at **[Annex 2]** is the existing Capital Plan (List A) in budget book format where notes appear opposite the figures. The following routine adjustments to the 2009/10 Blue Budget Book have been made:

- the outturn for 2008/09 has been taken into account and any slippage still required has been included in 2009/10,
- schemes included in the existing Blue Budget Book which were completed in 2008/09 have been removed,
- in accordance with the policy of having a rolling six year Capital Plan, an additional year, 2015/16, has been added, and
- the profiling of project spend has been reviewed and adjusted where appropriate to reflect the most likely pattern of spend across the plan period.

1.4.2 Paragraphs 1.4.3 to 1.4.13 detail specific amendments to the Capital Plan approved by Council in February 2009.

1.4.3 Finance and Property Advisory Board on 4 March 2009 recommended that a new Capital Plan scheme be brought forward for pathwork at Tonbridge Racecourse

Sportsground. The scheme cost of £15,000 is funded in full from developer contributions.

- 1.4.4 Strategic Housing Advisory Board on 18 May 2009 was informed that the Council's share of the Regional Housing Board funding (RHB) for 2009/10 had increased by £29,000. More recently the Council have secured a further £219,000 RHB funding to enable more homes across the borough to be made decent and in particular more energy efficient. These additional sums have been added to both Housing Assistance expenditure and Regional Housing Board grant lines in the Capital Plan.
- 1.4.5 Finance and Property Advisory Board on 20 May 2009 recommended that a virement of £34,000 be made from the capital provision for DDA Improvements to the Tonbridge Castle Reception Enhancement scheme. Latest scheme estimates indicate a potential cost overrun of £33,000 and the scheme budget has been uplifted accordingly.
- 1.4.6 Cabinet on 17 June 2009 recommended that a provision of £30,000 be added to the Capital Plan in respect of health and safety works at three of the Council's leisure facilities.
- 1.4.7 Finance and Property Advisory Board on 8 July 2009 recommended that a grant of £67,400 be awarded to the Local Strategic Partnership being the capital element of Performance Reward Grant received in the 2008/09 financial year.
- 1.4.8 Cabinet on 14 October 2009 recommended that a provision of £40,000 be added to the Capital Plan in respect of works to the changing village and pool surrounds at Tonbridge Swimming Pool. The project is to be part funded by a virement of £9,000 from the under spend on the Tonbridge Swimming Pool Wet Change Area DDA Works scheme.
- 1.4.9 Management Team, under delegated authority, approved the following virements:
- £11,000 of unspent funding allocated to the Customer Relationship Management (CRM) system to facilitate development of the Geographic Information System (GIS).
 - £19,200 from the leisure facilities DDA Phase 3 budget to the Larkfield Leisure Centre Health & Fitness Improvement scheme.
 - £10,000 of unspent funding allocated to the Poulton Wood Golf Course Maintenance Building Refurbishment to fund health and safety works at the Clubhouse.
 - £9,000 of unspent funding allocated to the Car Parking Action Plan Phase 5 has been merged with existing funding for Phase 6.

- 1.4.10 Additional developer contributions of £56,000 towards the cost of the Tonbridge School all weather pitch have been received. Total contributions now match the £300,000 grant support, enabling this scheme to be undertaken at nil cost to the Council.
- 1.4.11 The Council has received notification of an award of Housing and Planning Delivery Grant for 2009/10 of £739,800. £250,000 of this award must be attributed to capital expenditure of which £50,000 has been allocated to the GIS project referred to in paragraph 1.4.9. The remaining £200,000 is not ring fenced for any particular purpose and is being used to support the Authority's capital expenditure in general.
- 1.4.12 Capital renewals provisions have been extended by a further year to enable the current level of assets to be maintained. As part of this review, the asset schedules have been examined and the anticipated replacement date delayed where feasible. As a consequence, overall replacement provisions have reduced from an average of £977,000 per annum (2008/09 to 2014/15) to £937,000 per annum (2009/10 to 2015/16).
- 1.4.13 Provision for recurring expenditure in respect of the following schemes has also been extended by a further year:

List A Recurring Expenditure

	2015/16 £000	Annex 2 page no
Environmental Health Services		
Green Waste Bin Growth / Replacement	52	19
Refuse Bin Growth / Replacement	52	19
Housing Services		
Housing Disabled Facilities Grants (net)	201	24
Housing Assistance	106	24
Leisure Services		
Leisure Community Group Funding	8	37
Corporate Services		
General IT Developments	30	42
	449	

- 1.4.14 A number of other minor adjustments to scheme budget provisions have been made. Any budget amendments not referred to in paragraphs 1.4.3 to 1.4.13 above have been highlighted in bold in the detailed scheme notes in **[Annex 2]**.
- 1.4.15 Members are advised that a limited contingency has been retained to meet a claim by the Contractor in respect of the East Peckham Dam which is being disputed.
- 1.4.16 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.

1.5 Selection of New List C Schemes

1.5.1 A schedule of existing List C schemes and new schemes proposed for List C is attached at **[Annex 3]**. The schedule is in the same format as presented in previous Capital Plan reviews. The proposed new schemes are highlighted, but to aid Members a summary appears in the table below. There are no resource implications in adding new schemes to List C but in view of the pressure on the revenue budget there should be no expectation that the schemes are taken forward.

Schemes to be added to List C	Annex 3 page no
Planning & Transportation Services	
Car Parking: Car park Action Plan Phase 8	50
Leisure Services	
Tonbridge Swimming Pool: Pool Water Disinfection	61
Leisure Facilities: Energy Saving Measures Phase 2	63
Poult Wood Golf Centre: Fire Safety	64
Tonbridge Racecourse Sportsground - Site Improvements	66
Hayesbrook School All Weather Pitch	67
Wrotham School All Weather Pitch	68
Haysden Country Park Play Extension of Play Area	69
Open Spaces: Site Improvements	70
Other Schemes: Tonbridge Memorial Gardens	71
Corporate Services	
Financial Services : Electronic Document Management	74

1.5.2 Those List C schemes which were approved for List A and appear in the Blue Budget Book for 2009/10 have been deleted from List C. Two other schemes listed below are proposed for deletion from List C. The reasons for the deletion are given in **[Annex 3]**.

Schemes to be deleted from List C	Annex 3 page no
Planning & Transportation Services	
Traffic Control & Restraint - Fartherwell Ave, West Malling	51
Leisure Services	
Open Spaces: Footpaths on Public Open Spaces	69

1.5.3 It is **RECOMMENDED** that Cabinet be asked to:

- 1) include in List C the schemes listed in paragraph 1.5.1
- 2) note the removal from List C of those schemes noted in paragraph 1.5.2.

1.6 Selection of List C Schemes for Evaluation

- 1.6.1 At this meeting, Members have the opportunity to recommend schemes for evaluation over the coming year.
- 1.6.2 It is recognised that the evaluation of schemes imposes a resource requirement and, in consequence, services have to establish a balance between the evaluation of new schemes and the delivery of existing approved schemes. The recommendations of schemes for evaluation have taken into account this balance. The selection of different schemes for evaluation may upset this balance.
- 1.6.3 The schedule of List C schemes in **[Annex 3]** indicates the schemes which have been recommended for evaluation. To assist Members, the table below summarises those recommendations.

Schemes selected for evaluation from List C	Annex 3 page no
Planning & Transportation	
Car Parking: Car Parking Action Plan Phase 8	50
Leisure	
Tonbridge Swimming Pool: Pool Water Disinfection	61
Leisure Facilities: Energy Saving Measures Phase 2	63
Poult Wood Golf Centre: Fire Safety	64
Tonbridge Racecourse Sportsground - Site Improvements	66
Hayesbrook School All Weather Pitch (immediate see Annex 4)	67
Wrotham School All Weather Pitch (immediate see Annex 4)	68
Open Spaces: Site Improvements	70
Other Schemes: Tonbridge Memorial Gardens	71
Corporate Services	
Financial Services : Electronic Document Management	74

- 1.6.4 Although two schemes, as indicated, have been selected for immediate evaluation, the results of which appear in **[Annex 4]**, no schemes have been selected for fast track evaluation. If the recommendations are accepted, the remaining eight scheme evaluations will be reported to this Board in January 2011.
- 1.6.5 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation.

1.7 Evaluation of List C Schemes

- 1.7.1 As part of the 2008/09 and previous Capital Plan reviews a number of schemes were selected for evaluation. The results of those evaluations which have been concluded are reported in **[Annex 4]**.
- 1.7.2 Members are reminded that the Capital Strategy sets out criteria for evaluation. These criteria are the basis for the pro forma structure for reporting on the evaluation.

- 1.7.3 The schemes which have been evaluated are summarised below. For information, indicative, estimated annual revenue costs are also shown. The amount and timing of the revenue impact depends on the profiling of the capital expenditure and the timing of any changes in activity levels which generate changes to running costs or income. For this reason the revenue costs do not equate to a specific year but give an indication of revenue costs in the year of implementation and full year cost in subsequent years.

Summary of evaluated schemes

	Capital Cost £000	Revenue 1 st year £	Impact: Future years £	Annex 4 page no
Planning & Transportation				
1. Car Park Enhancement Programme Phase 3	70	1,750	3,500	75
2. Ton Castle East Curtain Wall (Fast Track)	50	1,250	2,500	77
Leisure				
3. Larkfield Leisure Centre: Fitness Studio	260	6,500	(17,000)	80
4. Larkfield Leisure Centre: Larkabout Toilets	33	813	1,625	83
5. Angel Changing / Toilets / Meeting Rooms	75	1,875	3,750	85
6. Refurbishment of Tonbridge Farm Pavilion	73	1,825	3,650	87
7. Racecourse Sportsground: Bridge Repair	75	1,875	3,750	89
8. Hayesbrook School All Weather Pitch	20	500	1,000	92
9. Wrotham School All Weather Pitch	46	1,150	2,300	94
10. Hill Top/Priory Wood Children's Play Equipment	20	500	1,000	96
Sub-total	722	18,038	6,075	
Less East Curtail Wall Fast Track provision	(100)	(2,500)	(5,000)	
Total	622	15,538	1,075	

- 1.7.4 Members are reminded that evaluated schemes can be recommended for inclusion on List B, retention on List C for further evaluation, or deletion from the Capital Plan process. Recommendation for List B does not commit a scheme to be included on the Capital Plan but is an expression of "in principle" support. The figures in the above table have **not** been included in the draft revenue estimates reported elsewhere in these papers.
- 1.7.5 List B schemes will be considered by Cabinet on 2 February alongside the revenue estimates. Schemes may be selected for transfer from List B to List A in accordance with budget guidelines and the annual allowance for new additions to List A of £600,000 referred to in paragraph 1.2.4.
- 1.7.6 In recent times the Council has been able to pursue a progressive capital programme of works including, for example, significant investment in Larkfield Leisure Centre, a new Children's play area at Leybourne Lakes, improvements at Poulton Wood Golf Course, car parking improvement at Borough Green as well as Tonbridge. **In the current financial circumstances the extent of activity will inevitably be reduced** although we continue to work in partnership with others to pursue new facilities without drawing heavily on Council funds such as the current proposal to establish an all weather playing pitch at Wrotham.

1.7.7 It is **RECOMMENDED** that Cabinet be asked to:

- 1) transfer the following schemes from List C to List B:
 - Car Park Enhancement Programme - Phase 3
 - Tonbridge Castle East Curtain Wall Footpath
 - Larkfield Leisure Centre: Larkabout Toilets
 - Angel Centre : Changing / Toilets / Meeting Rooms
 - Refurbishment of Tonbridge Farm Pavilion
 - Racecourse Sportsground: Bridge Repair
 - Hayesbrook School All Weather Pitch
 - Wrotham School All Weather Pitch.
 - Hill Top / Priory Wood Children's Play Equipment.
- 2) retain the following schemes on List C for further evaluation:
 - Larkfield Leisure Centre: Fitness Studio.

1.8 Legal Implications

1.8.1 None.

1.9 Financial and Value for Money Considerations

1.9.1 As set out above.

1.10 Risk Assessment

1.10.1 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.

Background papers:

Nil

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