

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

05 January 2011

Report of Management Team

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2010/11

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 2009/10 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, a few years ago 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.
- 1.2.5 In setting the budget for 2010/11 and in advance of the fundamental review of the Council's finances that allowance was set at £350,000. For members' information calls against the 2011/12 allowance currently total £241,000.

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 12 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 18 January will consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 1 February. Cabinet on 1 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 17 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 2010/11 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 2010/11 Blue Budget Book have been made:

- the outturn for 2009/10 has been taken into account and any slippage still required has been included in 2010/11;
- schemes included in the existing Blue Budget Book which were completed in 2009/10 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan, an additional year, 2016/17, 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 1.4.14 detail specific amendments to the Capital Plan approved by Council in February 2010.

1.4.3 Planning and Transportation Advisory Board on 23 February 2010 recommended that a budget provision of £44,000 be established in 2010/11 for the purchase of a grit spreader, steel containers, salt bins and a 4x4 vehicle. This is to be funded from the 2011/12 annual capital allowance.

1.4.4 Leisure and Arts Advisory Board on 15 March 2010 recommended that a budget provision of £146,000 be established in 2010/11 for the works to the outdoor pool

at Tonbridge Swimming Pool. The Finance and Property Advisory Board subsequently recommended approval to action already taken following receipt of tenders to increase the budget provision by £26,000 to a total of £172,000. This is to be funded from the 2011/12 annual capital allowance.

- 1.4.5 Strategic Housing Advisory Board on 17 May 2010 was informed that the Council's share of the Regional Housing Board funding for 2010/11 is expected to be £651,000. This is £68,000 more than that reflected in the Capital Plan approved by Council on 18 February 2010. The additional sum to be added to both income and expenditure lines in the Capital Plan. As a consequence, the gross expenditure budget provision for Housing Assistance in 2010/11, including slippage from 2009/10, is increased to £781,000.
- 1.4.6 Strategic Housing Advisory Board on 17 May 2010 was also informed that Central Government grant in respect of Disabled Facilities Grants for 2010/11 is £410,000. This is £109,000 more than that reflected in the Capital Plan approved by Council on 18 February 2010. The additional sum to be added to both income and expenditure lines in the Capital Plan. As a consequence, the gross expenditure budget provision for Disabled Facilities Grants in 2010/11 will be increased to £611,000.
- 1.4.7 Leisure and Arts Advisory Board on 18 May 2010 recommended that a budget provision of £81,500 be established in 2010/11 for improvement works to the Tonbridge Racecourse Sportsground. This is to be funded in full from developer contributions. The Advisory Board also recommended bringing forward from 2011/12 to 2010/11 capital renewals provisions of £27,000 allocated to replacement play equipment at the Sportsground.
- 1.4.8 Finance and Property Advisory Board on 26 May 2010 recommended that a budget provision of £23,000 be established in 2010/11 for replacement office accommodation for the Tonbridge Cemetery Registrar. This is to be funded in full from the capital receipt from the sale of Cemetery Lodge.
- 1.4.9 Performance Reward Grant of £82,000 was awarded in 2009/10. The Local Strategic Partnership budget for 2010/11 has been increased by this amount.
- 1.4.10 The Council's bid for support from the Environment Agency's Surface Water Early Actions Grant Scheme was successful. A contribution towards costs associated with the Leigh Road, Hildenborough land drainage scheme of £28,000 has been confirmed for the current financial year (2010/11).
- 1.4.11 Finance and Property Advisory Board on 21 July 2010 recommended that a budget provision of £20,000 be established in 2010/11 for contribution towards the new floodlit all-weather pitch at The Hayesbrook School. This is to be funded from a virement from the Haysden Country Park Improvements scheme.
- 1.4.12 Under delegated authority, the Chief Leisure Services Officer has vired £7,000 from the underspend on the Poulton Wood Golf Course Maintenance Building

Refurbishment to augment the existing approved budget for Larkfield Leisure Centre Larkabout Toilets. £10,000 has also been vired to Leisure Services Capital Renewals from Community Group Funding (£4,000) and Tonbridge Swimming Pool Pumping Station (£6,000) to cover the higher than expected cost of replacing the Winter Tee Mats at Poult Wood Golf Course.

- 1.4.13 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. Average renewals spend over the seven-year period of the plan is now £973,000 per annum (2010/11 – 2016/17) compared to £937,000 per annum (2009/10 – 2015/16).
- 1.4.14 Provision for recurring expenditure in respect of the following schemes has also been extended by a further year:

List A Recurring Expenditure

	2016/17 £000	Annex 2 page no. CP
Environmental Health Services		
Green Waste Bins Growth / Replacement	52	15
Refuse Bins Growth / Replacement	52	15
Housing Services		
Housing Disabled Facilities Grants (net)	201	18
Housing Assistance	106	18
Leisure Services		
Leisure Community Group Funding	8	27
Corporate Services		
General IT Developments	30	32
	449	

- 1.4.15 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 1.4.14 above have been highlighted in bold in the detailed scheme notes in **[Annex 2]**.
- 1.4.16 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.
- 1.4.17 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 is 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. CP
Planning & Transportation Services	
Car Parking: Car Parking Enhancement Programme Phase 6	38
Leisure Services	
Larkfield Leisure Centre: Lighting in Lifestyles Fitness Suite	48
Tonbridge Swimming Pool: Changing Village Floor	49
Leybourne Lakes Country Park: Visitor Centre	56
Corporate Services	
IT Initiatives: Corporate Document Management System	61

- 1.5.2 Those List C schemes which were approved for List A and appear in the Blue Budget Book for 2010/11 have been deleted from List C. Six 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. CP
Planning & Transportation Services	
Car Parking: Car Parking Action Plan Phase 8	40
Environ. Improvements: Watergate/Chequers Lawn, Tonbridge	42
Environ. Improvements: Mereworth Village Entry Enhancements	42
Environ. Improvements: Wateringbury Conservation Area	42
Land Drainage and Flood Defence: Pen Stream Phase 3	46
Leisure Services	
Larkfield Leisure Centre: Footpath Access	48

- 1.5.3 It is **RECOMMENDED** that Cabinet be asked to:
- 1) include in List C the schemes listed in paragraph 1.5.1; and
 - 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. CP
Planning & Transportation Services	
Car Parking: Car Park Enhancement Programme Phase 5	38
Car Parking: East Malling Car Park Access & Security Improv.	39
Traffic Management: Station Forecourt Enhancement W/Malling	41
Leisure Services	
Tonbridge Swimming Pool: Changing Village Floor	49
Leybourne Lakes Country Park: Visitor Centre	56
Corporate Services	
IT Initiatives: Document Management System (Fast Track)	61

- 1.6.4 One of the six schemes listed above has been selected for fast track evaluation. If the recommendations are accepted, the remaining five scheme evaluations will be reported to this Board in January 2012.
- 1.6.5 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation, with one scheme as identified being selected for fast track evaluation.

1.7 Evaluation of List C Schemes

- 1.7.1 As part of the 2009/10 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. This year the pro forma has been revised to enable any adjustment to future capital renewals provisions to be identified.
- 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	Revenue Impact		Annex 4 page no. CP
	£'000	First Year	Future Years	
		£	£	
Leisure Services				
Tonbridge Swimming Pool: Disinfection System	90	4,500	3,150	[1] 63
Larkfield Leisure Centre: Energy Saving Measures Phase 2	40	2,000	0	[2] 66
Public Open Spaces Site Improvements	99	0	2,750	[3] 68
Tonbridge Memorial Garden Improvements	25	1,250	1,250	70
IT Initiatives: Homeless Management System (Fast Track) Scheme	9	450	4,250	72
Total	263	8,200	11,400	

- [1] First year revenue costs relate to loss of investment income. In future this is expected to be matched by savings in the cost of utilities and chemicals. Future consequence relates to increase in annual contribution to meet capital renewals.
- [2] Savings in energy costs in future are expected to match loss of investment income.
- [3] Future revenue consequence relates to increase in annual contribution to meet capital renewals.

- 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. Except for any impact on investment income 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 1 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 £350,000 referred to in paragraph 1.2.5.
- 1.7.6 Also mentioned at paragraph 1.2.5 was that £241,000 of the 2011/12 allowance had already been committed leaving a balance of £109,000. Of the schemes identified above the capital cost of the Public Open Spaces Site Improvements is being fully funded by way of developer contributions. Provision for the capital cost of the Homeless Management System is included within List A in the Corporate Services Fast Track provision. The capital cost of the remaining three schemes is £155,000 producing a shortfall in funding of £46,000 if all three were to be taken forward.
- 1.7.7 However, if Members were minded to do so there is scope in this year to make a contribution of £120,000 to the revenue reserve for capital schemes using unallocated Local Authority Business Growth Scheme monies and as a result of the better than expected budget position. This would allow all five schemes to be taken forward in 2011/12 and in addition provide the funding required in respect of

the scheme identified at paragraph 1.6.3 for fast track evaluation if Members agree that this scheme also be taken forward in 2011/12.

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

1) Transfer the following schemes from List C to List B:

Tonbridge Swimming Pool: Disinfection System

Larkfield Leisure Centre: Energy Saving Measures

Public Open Spaces Site Improvements

Tonbridge Memorial Garden Improvements

IT Initiatives: Homeless Management System.

2) Approve a contribution of £120,000 in this year to the revenue reserve for capital schemes using unallocated Local Authority Business Growth Scheme monies and as a result of the better than expected budget position.

1.8 Capital Strategy

1.8.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has supplied the following background notes: “The Capital Strategy should describe how the investment of capital resources will contribute to the achievement of the authority’s key objectives and priorities that are detailed in their Performance Plans and Community Plans/Strategies, etc. An authority’s Capital Strategy should be one of the key, overarching strategies that support service plans. The strategy will also determine priorities between the various services and look for opportunities for cross-cutting and joined-up investment. The authority’s capital strategy should describe how the deployment of capital resources contributes to the achievement of the described goals. It will also help to ensure that issues around property and other assets are fully reflected in the Council’s planning.”

1.8.2 The draft updated Capital Strategy, attached at **[Annex 5]** has been designed to be published on the Council’s website. The strategy has no annexes, but at the end are links to a number of other documents or web pages which are referred to in the text and are available on the Council’s website or the internet.

1.8.3 The update has followed the policy of evolution, rather than revolution. The aim has been to reflect changing circumstances without losing the qualities which gained a “good” result from GOSE in 2002 when the capital strategy was last assessed.

1.8.4 The Key Financial Statistics in paragraph 2.1 of the annex have been updated to reflect the 2010/11 estimates and the balance sheet as at 31 March 2010. Elsewhere, examples of our current practice have been updated where

appropriate. Throughout the annex the type face of any new and or amended text and figures has been presented in bold italics.

It is **RECOMMENDED** that Cabinet be invited to endorse the draft Capital Strategy as attached at **[Annex 5]** for adoption by Council and publication on the Council's website.

1.9 Legal Implications

1.9.1 None.

1.10 Financial and Value for Money Considerations

1.10.1 The Capital Strategy outlines a capital plan process which follows the CIPFA Prudential Code and, in addition to meeting the Council's Corporate Aims and Priorities, focuses on value for money.

1.11 Risk Assessment

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

1.11.2 Failure to endorse a satisfactory Capital Strategy may lead to a capital programme which does not fully support the Council's Corporate Aims and Priorities.

1.12 Equality Impact Assessment

1.12.1 See 'Screening for equality impacts' table at end of report.

Background papers:

Nil

contact: Michael Withey
Neil Lawley

David Hughes
Chief Executive

For Management Team

Sharon Shelton
Director of Finance

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	N/A	An equality / diversity impact assessment is to be undertaken and reported to members prior to the commencement of new capital plan schemes.

Screening for equality impacts:		
Question	Answer	Explanation of impacts
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N/A	As above
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.