

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

04 January 2012

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2011/12

This report reviews the current position of the existing Capital Plan (List A), recommends new schemes for adding to List C, recommends some existing List C schemes be deleted, 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 2010/11 and prior year reviews. Members are reminded however, that any aspirations in respect of capital schemes need to be set within the context of the significant financial challenge facing the Council.

<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 (List A).

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 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 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.
- 1.2.4 In setting the budget for 2011/12 that allowance was set at £350,000.

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 ordinarily 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 11 January. The four aspects are:
- A review of existing Capital Plan (List A).
 - The addition of new schemes to List C and the removal of schemes no longer required.
 - 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 The Overview and Scrutiny Committee on 10 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 7 February. Cabinet on 7 February will consider and make recommendations on the transfer of schemes from List B to List A in the light of the overall financial position. Finally, Council on 16 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. Annexes 2, 3 & 4 contain references to the Corporate Aims and Objectives and a key to these appears in **[Annex 1]**.

1.4 Review of the Existing Capital Plan (List A)

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 2011/12 Blue Budget Book have been made:

- the outturn for 2010/11 has been taken into account and any slippage still required has been included in 2011/12;
- schemes included in the existing Blue Budget Book which were completed in 2010/11 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan, an additional year, 2017/18, 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 1.4.6 detail specific amendments to the Capital Plan (List A) approved by Council in February 2011.

1.4.3 Strategic Housing Advisory Board on 7 June 2011 was informed that Central Government grant in respect of Disabled Facilities Grants for 2011/12 is £410,000. This is £109,000 more than that reflected in the Capital Plan approved by Council on 17 February 2011. This additional sum has been added to both income and expenditure lines in the Capital Plan. This adjustment together with net slippage from 2010/11 of £23,000 brings the gross budget available for Disabled Facilities Grants to £634,000 in 2011/12.

1.4.4 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. Figures included in 2012/13 and subsequent years incorporate provision for inflation (typically an uplift of 2% per annum). The tendency to underspend against budget is mitigated by the introduction of a savings target. A

savings target of 10% has been assumed in each year of the Plan. Despite these two adjustments average renewals spend over the seven-year period of the plan is now £985,000 per annum (2011/12 – 2017/18) compared to £973,000 per annum (2010/11 – 2016/17).

- 1.4.5 Provision for recurring expenditure in respect of the following schemes has also been extended by a further year:

Capital Plan (List A) Recurring Expenditure	2017/18 £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	118	18
Leisure Services		
Leisure Community Group Funding	8	27
Corporate Services		
General IT Developments	30	32
	461	

- 1.4.6 Two other changes we would wish to bring to Members' attention are:
Government support for Disabled Facilities Grants (Annex 2 page CP18) is assumed to continue at its present level (£410,000 in 2011/12) throughout the Capital Plan period and the budget in respect of Capital Grants to Organisations (Annex 2 page CP 25) has been reduced by £90,000 to match current outstanding commitments.
- 1.4.7 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 1.4.6 above have been highlighted in bold in the detailed scheme notes in **[Annex 2]**.
- 1.4.8 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.
- 1.4.9 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. Five schemes are being

recommended for fast track evaluation of which two have already been evaluated. 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 Enhancement Programme Phase 7	39
Leisure Services	
Tonbridge Swimming Pool Car Park Improvements / Extension	47
Poult Wood Golf Centre Drainage	49
Tonbridge Farm Sportsground Water Supply Renewal	51
Haysden Country Park Bridge Repairs (Fast Track and Evaluated)	53
Open Spaces Site Improvements Phase 2 (Fast Track and Evaluated)	53
Corporate Services	
Gibson Building West Renewal of Heating System (Fast Track)	56
Health and Safety Building Improvements (Fast Track)	56
Cash Receiving System Online Payments Upgrade (Fast Track)	59

- 1.5.2 Those List C schemes which were approved for List A and appear in the Blue Budget Book for 2011/12 have been deleted from List C. Four 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 Tonbridge Station NSIP Contribution	38
Leisure Services	
Leisure Facilities General Upgrade of CCTV Phase 2	48
Poult Wood Golf Centre Fire Safety	49
Corporate Services	
IT Initiatives Central Images Library	57

- 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 including eight for fast track evaluation of which four have already been evaluated. If the recommendations are accepted, the remaining evaluations will be reported to this Board in January 2013. Members are asked to note that an estimated cost of £5,000 has been identified for the evaluation of the De-silting of Haysden Water Lake scheme. 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 Park Enhancement Programme Phase 6	38
West Malling Station Forecourt (Fast Track)	41
Leisure Services	
Larkfield Leisure Centre New Dance / Exercise Studio (Fast Track and Evaluated)	46
Tonbridge Swimming Pool Car Park Improvements / Extension	47
Poult Wood Golf Centre Drainage	49
Tonbridge Farm Sportsground Water Supply Renewal	51
Haysden Country Park De-silting Haysden Water Lake	52
Haysden Country Park Bridge Repairs (Fast Track and Evaluated)	53
Open Spaces Site Improvements Phase 2 (Fast Track and Evaluated)	53
Tonbridge Cemetery Path Improvements (Fast Track and Evaluated)	55
Corporate Services	
Gibson Building West Renewal of Heating System (Fast Track)	56
Corporate Health and Safety Building Improvements (Fast Track)	56
Public Access to Online Personal Data	58
Cash Receipting System Online Payments Upgrade (Fast Track)	59

- 1.6.4 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation, with eight schemes being selected for fast track evaluation of which four have already been evaluated.

1.7 Evaluation of List C Schemes

- 1.7.1 As part of the 2010/11 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]** together with those schemes selected for fast track evaluation that have already been evaluated.
- 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 include screening for equality impacts.

- 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.

Capital / Revenue Consequences of Evaluated Schemes					
	Capital Cost	Developer Contribution	Net Capital Cost	Estimated Annual Revenue/ Renewal Cost	Booklet Annex 4 page no. CP
	£'000	£'000	£'000	£'000	
Planning & Transportation Services					
Car Park Enhancement Programme Phase 5	50	Nil	50	3	61
Leisure Services					
Larkfield Leisure Centre New Dance / Exercise Studio	100	Nil	100	(31)	63
Tonbridge Swimming Pool Changing Village Floor	20	Nil	20	4	66
Tonbridge Racecourse Sportsground Improvements Phase 2	65	(65)	Nil	(8)	68
Haysden Country Park Bridge Repairs	8	Nil	8	Nil	70
Opens Spaces Site Improvements Phase 2	69	(69)	Nil	2	71
Tonbridge Cemetery Path Improvements	12	(12)	Nil	Nil	73
Corporate Services					
Finance Electronic Document Management	30	Nil	30	2	74
Total	354	(146)	208	(28)	

- 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 7 February alongside the revenue estimates. Schemes may be selected for transfer from List B to List A taking into account budget guidelines and the annual allowance of £350,000.

1.7.6 In addition, four schemes are being recommended for fast track evaluation during the 2012/13 financial year. If all of these schemes were recommended for transfer from List C to List B the capital consequences are as set out in the table below.

Schemes Recommended for Fast Track Evaluation

	Capital Cost	Developer Contribution	Net Capital Cost	Booklet Annex 3 page no. CP
	£'000	£'000	£'000	
Planning & Transportation Services				
West Malling Station Forecourt Enhancement	50	Nil	50	41
Corporate Services				
Gibson West Renewal of Heating System	100	(42)	58	56
Health & Safety Building Improvements	25	Nil	25	56
Cash Receipting System Online Payments	50	Nil	50	59
Total	225	(42)	183	

1.7.7 The combined effect of the capital cost of evaluated schemes of £208,000 and putting aside capital funding of £183,000 for fast track schemes gives rise to a shortfall against the capital allowance of £41,000. However, if Members were minded to do so the reduction in the budget in respect of Capital Grants to Organisations to match the current outstanding commitments referred to at paragraph 1.4.6 could be used to fund this shortfall. This would allow all eight schemes identified at paragraph 1.7.3 to be taken forward and in addition provide the funding required in respect of the four schemes identified at paragraph 1.7.6 for fast track evaluation if Members agree that these schemes also be taken forward in 2012/13.

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

- 1) Transfer the following schemes from List C to List B:
 - Car Park Enhancement Programme Phase 5
 - Larkfield Leisure Centre New Dance / Exercise Studio
 - Tonbridge Swimming Pool Changing Village Floor
 - Tonbridge Racecourse Sportsground Improvements Phase 2
 - Haysden Country Park Bridge Repairs
 - Open Spaces Site Improvements Phase 2
 - Tonbridge Cemetery Path Improvements
 - Finance Electronic Document Management

- 2) Endorse that the shortfall in funding required for the four schemes recommended for fast track evaluation be met from funds no longer required in respect of existing schemes if Members agree that these schemes be taken forward in 2012/13.

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 Key Financial Statistics in paragraph 2.1 of the annex have been updated to reflect the 2011/12 estimates and the balance sheet as at 31 March 2011. 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.
- 1.8.4 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 transfer of schemes from List C to List B has no financial impact. The transfer of schemes from List B to List A will be considered by Cabinet on 7 February 2012 in the context of the Medium Term Financial Strategy and the overall budget position.

1.10.2 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.

1.13 Summary of Recommendations

1.13.1 It is **RECOMMENDED** that:

- 1) Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.
- 2) 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.
- 3) Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation, with eight schemes being selected for fast track evaluation of which four have already been evaluated.
- 4) Cabinet be asked to:
 - 1) Transfer the following schemes from List C to List B:
 - Car Park Enhancement Programme Phase 5
 - Larkfield Leisure Centre New Dance / Exercise Studio
 - Tonbridge Swimming Pool Changing Village Floor
 - Tonbridge Racecourse Sportsground Improvements Phase 2
 - Haysden Country Park Bridge Repairs
 - Open Spaces Site Improvements Phase 2

Tonbridge Cemetery Path Improvements

Finance Electronic Document Management

- 2) Endorse that the shortfall in funding required for the four schemes recommended for fast track evaluation be met from funds no longer required in respect of existing schemes if Members agree that these schemes be taken forward in 2012/13.

Background papers:

Nil

contact: Michael Withey

Neil Lawley

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 impact assessment has been or will be undertaken and reported to Members prior to the commencement of new capital plan schemes as appropriate.
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?		See responses above.

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.