

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

09 January 2013

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 **CAPITAL PLAN REVIEW 2012/13**

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 selected for evaluation. 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><b>NOTE: ANNEXES 1 to 4 TO THIS REPORT ARE CONTAINED IN A SEPARATE BOOKLET CIRCULATED WITH THE AGENDA</b></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 This time last year Members agreed a set of criteria to guide the inclusion of new schemes to List C (wish list) and ultimately the inclusion of schemes on List A (schemes assigned budget provision). **The criteria are: to meet legislative requirements including health and safety obligations; funded from external resources; generate income or reduce revenue expenditure.** For Members awareness, the subsequent recommendations where appropriate satisfy one or more of these criteria.
- 1.1.3 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 or reduce 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 the Council continues to face a significant financial challenge as a result of the Coalition Government's budget deficit reduction programme which has resulted in a reduction in the financial support it can offer to local government and the current economic climate.
- 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 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 2012/13 that allowance was set at £350,000. However, it is **recommended** that expenditure on improvements to existing car parks with an average annual spend of £30,000, currently met from the allowance, is budgeted for each year outside of the Capital Plan review process and the annual capital allowance reduced to £320,000.

## 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. The four aspects are:

- A review of the 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 29 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 5 February. Cabinet on 5 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 14 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 Key Priorities and Improvement Themes. Annexes 2, 3 & 4 contain references to the Key Priorities and Improvement Themes and the previous Corporate Aims and Priorities and the 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 along with explanatory notes. The following routine adjustments to the 2012/13 Budget Book have been made:

- the outturn for 2011/12 has been taken into account and any slippage still required has been included in 2012/13;
- schemes included in the existing Budget Book which were completed in 2011/12 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2018/19, 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 (List A) approved by Council in February 2012.

1.4.3 At Cabinet on 28 March 2012, Members endorsed the transfer of the Tonbridge Town Lock scheme from List B to List A. Scheme funding of £791,600 comprises contributions from the Environment Agency (£230,000), Tonbridge Town Lands

and Richard Mylls Charity (£1,600), earmarked reserve (£100,000), corporate provision for “fast-track” schemes (£200,000) and developer contributions (£260,000).

- 1.4.4 Cabinet on 28 March 2012 approved a £240,000 contribution to a KCC led scheme to enhance the Coldharbour Gypsy and Traveller Site. The proposed expansion from the current 8 to 26 pitches will attract additional New Homes Bonus grant payments in the future of £163,000. The outcome of a bid to the Homes and Communities Agency to fund the Council’s contribution is expected in the early part of 2013.
- 1.4.5 Finance and Property Advisory Board on 15 May 2012 endorsed the recommendation that a flood lighting scheme for Tonbridge Racecourse Sportsground be included in the Capital Plan. The scheme cost of £20,000 is being fully funded from contributions from the Local Strategic Partnership, Police and Kent County Council Local Members.
- 1.4.6 Finance and Property Advisory Board on 15 May 2012 also endorsed the use of £25,000 of the Corporate Services “fast-track” provision to undertake building improvements to address health and safety issues.
- 1.4.7 The Local Environmental Management Advisory Board on 22 May 2012 endorsed the setting-up of a capital plan provision of £560,000 if the proposed kerbside recycling collection service was taken forward. In November 2012, Members were advised that the scheme was cost prohibitive and as a consequence this scheme is not included in the Capital Plan List A update.
- 1.4.8 Finance and Property Advisory Board on 18 July 2012 endorsed the use of £50,000 of the Corporate Services “fast-track” provision to replace the Council’s cash receipting system.
- 1.4.9 Cabinet on 10 October 2012 endorsed the proposal to provide additional functional training equipment at Larkfield Leisure Centre and enhance the fitness suite environments at Larkfield Leisure Centre and the Angel Centre. The cost of the proposal at £76,000 is met from the remaining budget provision following the tender exercise for new fitness equipment at both leisure centres.
- 1.4.10 Cabinet on 19 November 2012 were advised of an enhancement to the Council Tax IT system to facilitate the implementation of the Council Tax Reduction scheme. The system upgrade cost of £62,500 is met in full from a government grant.
- 1.4.11 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 2013/14 and subsequent years incorporate provision for inflation (typically an uplift of 2% per annum) and the tendency to underspend against budget is mitigated by a savings target. A savings target of

20% has been assumed in each year of the Plan. Average renewals spend over the seven-year period of the plan is now £899,000 per annum (2012/13 – 2018/19) compared to £979,000 per annum (2011/12 – 2017/18).

- 1.4.12 Provision for recurring expenditure has also been extended by a further year and expenditure on improvements to existing car parks (paragraph 1.2.4 refers) added to the schedule.

<b>Capital Plan (List A) recurring expenditure</b>		
	<b>2018/19</b>	<b>Annex 2</b>
	£000	Page
<b>Planning and Transportation Services</b>		
Improvements to existing car parks rolling programme	30	CP 12
<b>Environmental Health Services</b>		
Green waste bins growth / replacement	52	CP 19
Refuse bins growth / replacement	52	CP 19
<b>Housing Services</b>		
Housing disabled facilities grants (net)	201	CP 22
Housing assistance	106	CP 22
<b>Leisure Services</b>		
Leisure community group funding	8	CP 33
<b>Corporate Services</b>		
General IT developments	30	CP 36
<b>Total</b>	<b>479</b>	

- 1.4.13 Members are also advised that the budget provision retained to meet a claim by the Contractor in respect of the East Peckham Dam has been increased by £58,000 to cover the latest expected settlement figure.
- 1.4.14 In December 2012, the DCLG notified the Council that it was making a one-off additional payment for Disabled Facilities Grant funding of £75,000 for 2012/13. This sum has been added to both the grant and expenditure lines within the Capital Plan.
- 1.4.15 A number of other minor adjustments to scheme budget provisions have been made. Any budget amendments not referred to above have been highlighted in bold in the detailed scheme notes in **[Annex 2]**.
- 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 An updated schedule of List C schemes is attached at **[Annex 3]**. Since the January 2012 meeting of this Advisory Board a number of schemes which have been approved for implementation and now appear in List A have been removed from List C. The updated schedule includes schemes which are recommended to be added to List C; schemes which are recommended to be deleted from List C;

and schemes which are recommended to be merged. To assist Members a summary of the proposals is detailed in the table below.

<b>List C additions, deletions and merged schemes</b>		<b>Annex 3</b>
		<b>Page</b>
<b>Schemes to be added to List C</b>		
<b>Leisure Services</b>		
Larkfield Leisure Centre Refurbishment of Lifestyles Health Suite		CP 50
Larkfield Leisure Centre Installation of UV pool disinfection and auto backwashing plant to all pools		CP 51
Leisure Centres Energy Saving Measures Phase 3		CP 52
Tonbridge Cemetery Memorial Garden Vaults		CP 58
Tonbridge Athletics Track Improvements		CP 58
<b>Schemes to be deleted from List C</b>		
<b>Planning &amp; Transportation Services</b>		
Car Park Enhancement Programme Phase 6		CP 42
Car Park Enhancement Programme Phase 7		CP 42
West Malling Station Southern Access		CP 44
Larkfield (A20) Local Shopping Area		CP 45
Watergate / Chequers Lawn, Tonbridge		CP 45
Shopping Parade Enhancement, Woodlands Road, Ditton		CP 46
Wrotham Heath Soft Landscaping		CP 46
Twisden Road Shopping Parade		CP 48
<b>Leisure Services</b>		
Larkfield Leisure Centre Lighting in Lifestyles Fitness Suite		CP 50
Tonbridge Farm Sports Ground – Flood Protection		CP 54
Tonbridge Farm Sports Ground – Water Supply Renewal		CP 55
<b>Schemes to be merged with the Area Conservation Enhancement List C Scheme (Annex 3, page CP 47)</b>		
<b>Planning &amp; Transportation Services</b>		
Mereworth Village Entry Enhancements / Lighting and Street Furniture		CP 45
Wateringbury Conservation Area		CP 46

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

- 1) Amend List C as detailed in paragraph 1.5.1.

## **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 one for “fast-track” evaluation that has already been evaluated. If the recommendations are accepted, the remaining evaluations will be reported to this Board in January 2014. To assist Members, the table below summarises those recommendations.

<b>Schemes selected for evaluation from List C</b>		<b>Annex 3</b>
		Page
<b>Leisure Services</b>		
Larkfield Leisure Centre Refurbishment of Lifestyles Health Suite		CP 50
Leisure Centres Energy Saving Measures Phase 3		CP 52
Tonbridge Cemetery Memorial Garden Vaults (fast-track)		CP 58

- 1.6.4 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation, including one for “fast-track” evaluation that has already been evaluated.

## **1.7 Evaluation of List C Schemes**

- 1.7.1 As part of the 2011/12 and previous Capital Plan reviews a number of schemes were selected for evaluation. The majority were identified for fast track evaluation and have been reported to Members in recent months. A few evaluations have yet to be concluded and will be reported to the January 2014 meeting of this Advisory Board. The results of those evaluations which have been concluded are given in **[Annex 4]** including the scheme selected for “fast-track” evaluation that has 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 which includes screening for equality impacts.
- 1.7.3 Details of the evaluated schemes are summarised below. For information, indicative, estimated annual revenue costs (savings) 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.

<b>Capital / revenue consequences of evaluated schemes</b>			
	<b>Capital cost</b>	<b>Estimated annual revenue / renewals cost</b>	<b>Annex 4 Page</b>
	£'000	£'000	
<b>Leisure Services</b>			
Tonbridge Cemetery Memorial Garden Vaults	35	2	CP 60
Tonbridge Pool Car Park Improv. / Extension	75	(12)	CP 62
<b>Total</b>	<b>110</b>	<b>(10)</b>	

- 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 5 February alongside the revenue estimates. Schemes may be selected for transfer from List B to List A taking into account budget guidelines and the revised, if endorsed, annual allowance of £320,000.
- 1.7.6 It is **RECOMMENDED** that Cabinet be asked to transfer the following schemes from List C to List B:

Tonbridge Cemetery Memorial Garden Vaults

Tonbridge Swimming Pool Car Park Improvements / Extension

## **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 incorporates 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 2012/13 estimates and the balance sheet as at 31 March 2012. 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 5 February 2013 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 Key Priorities and Improvement Themes, 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 Key Priorities and Improvement Themes.

## **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 that expenditure on improvements to existing car parks be treated as recurring expenditure and the annual capital allowance from 2013/14 be set at £320,000.
- 2) Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.
- 3) Cabinet be asked to amend List C as detailed in paragraph 1.5.1.
- 4) Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation, including one for “fast-track” evaluation that has already been evaluated.
- 5) Cabinet be asked to transfer the following schemes from List C to List B:
 

Tonbridge Cemetery Memorial Garden Vaults

Tonbridge Swimming Pool Car Park Improvements / Extension
- 6) Cabinet be asked to endorse the draft Capital Strategy as attached at **[Annex 5]** for adoption by Council and publication on the Council’s website.

Background papers:

contact: Michael Withey  
Neil Lawley

Nil

Sharon Shelton  
Director of Finance

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
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.*