

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

29 January 2013

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet

MEMBERS ARE ASKED TO BRING WITH THEM THE CAPITAL PLAN BOOKLET CIRCULATED WITH THE AGENDA FOR THE MEETING OF THE FINANCE AND PROPERTY ADVISORY BOARD

1 CAPITAL PLAN REVIEW 2012/13

This report considers progress on the 2012/13 Capital Plan Review and requests endorsement of recommendations to Cabinet.

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.
- 1.1.4 The Capital Plan review process started at the Finance and Property Advisory Board on 9 January 2013, where Members considered the following issues:

- 1) The position of the existing Capital Plan (List A).
- 2) Schemes proposed for adding to List C; removal of schemes no longer required; and schemes recommended to be merged.
- 3) Schemes proposed for evaluation over the following year, including one for fast track evaluation that has already been evaluated.
- 4) Consideration of those List C schemes which have been evaluated, including the scheme selected for fast track evaluation that has already been evaluated.

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 Recommendations from Finance and Property Advisory Board

- 1.3.1 The position of the existing Capital Plan (List A) as presented to the Finance and Property Advisory Board [**Annex 1**] was endorsed subject to removal of the contribution of £240,000 towards Coldharbour Gypsy and Traveller Site which would be totally funded externally. Details in respect of the existing Capital Plan (List A) can be found in the report to the Finance and Property Advisory Board.

- 1.3.2 The schedule of schemes recommended for addition to List C, deletion from List C and List C schemes recommended to be merged [**Annex 2**] was endorsed subject to the schemes for environmental enhancement of shopping areas at Larkfield (A20), Woodlands Road and Twisden Road being retained on List C.
- 1.3.3 The schedule of List C schemes recommended for evaluation over the following year [**Annex 3**] was endorsed. Under normal circumstances, schemes successfully coming through the evaluation process, and progressing to List A, might be expected to be implemented in 2014/15. However, one scheme has been recommended for fast track evaluation that has already been evaluated.
- 1.3.4 The schedule of evaluated schemes [**Annex 4**] including the scheme selected for fast track evaluation that has already been evaluated be recommended for transfer from List C to List B was endorsed.

1.4 Capital Strategy

- 1.4.1 The Chartered Institute of Public Finance and Accountancy 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."
- 1.4.2 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.
- 1.4.3 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.
- 1.4.4 The Finance and Property Advisory Board endorsed the draft Capital Strategy as presented.

1.5 Legal Implications

- 1.5.1 None.

1.6 Financial and Value for Money Considerations

- 1.6.1 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.
- 1.6.2 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.

1.7 Risk Assessment

- 1.7.1 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.
- 1.7.2 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.

1.8 Equality Impact Assessment

- 1.8.1 See 'Screening for equality impacts' table at end of report

1.9 Recommendations

- 1.9.1 It is **RECOMMENDED** that the recommendations to Cabinet by the Finance and Property Advisory Board and detailed below be endorsed:
- 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) The Capital Plan (List A) position as summarised in **[Annex 1]** is adopted subject to removal of the contribution towards Coldharbour Gypsy and Traveller Site which would be totally funded externally.
 - 3) The schemes listed in **[Annex 2]** are added to List C, deleted from List C or merged as detailed subject to the schemes for environmental enhancement of shopping areas at Larkfield (A20), Woodlands Road and Twisden Road being retained on List C.
 - 4) The schemes listed in **[Annex 3]** are selected for evaluation over the coming year, including one for fast track evaluation that has already been evaluated.
 - 5) The scheme listed in **[Annex 4]** be treated as follows:

Transfer 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

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.