

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

08 January 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2013/14

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.

NOTE: ANNEXES 1 to 4 TO THIS REPORT ARE CONTAINED IN A SEPARATE BOOKLET CIRCULATED WITH THE AGENDA

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 A few years ago 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; and
- generate income or reduce revenue expenditure.

1.1.3 For Members awareness, the subsequent recommendations where appropriate have regard to these criteria.

1.1.4 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 currently 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 recurring capital expenditure.

1.2.4 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. Members are reminded that in setting the budget for 2013/14 that allowance was set at £320,000. It should be noted that the Council in due course will need to borrow to fund such expenditure.

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 28 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 4 February. Cabinet on 4 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 13 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 Actions. Annexes 2, 3 & 4 contain references to the Council's Key Priorities and Improvement Actions 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 2013/14 Budget Book have been made:

- the outturn for 2012/13 has been taken into account and any slippage still required has been included in 2013/14;
- schemes included in the existing Budget Book which were completed in 2012/13 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2019/20, 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 1.4.12 detail specific amendments to the Capital Plan (List A) approved by Council in February 2013.

- 1.4.3 Cabinet on 26 March recommended that a Capital Plan scheme be introduced to enable the Bradford Street Leisure and Community Centre to be progressed with costs met in full from funds provided by the redevelopment of Tonbridge town centre; and was approved by full Council on 16 April.
- 1.4.4 Cabinet on 26 March recommended that the Capital Plan provision in respect of the Tonbridge Memorial Garden Improvement scheme be increased by £100,000 to enable forward-funding from the Revenue Reserve for Capital Schemes and to maximise recovery in due course through Section 106 contributions and fund raising activity by the Memorial Garden Trust; and was approved by full Council on 16 April.
- 1.4.5 Cabinet on 26 March recommended that the launch of the Local Authority Mortgage Scheme be agreed and a Capital Plan provision of £1,000,000 be established for this purpose; and was approved by full Council on 16 April. Since making that decision the Government has developed schemes similar to LAMS, e.g. the Government's Help to Buy guarantee scheme; and the 2013 Spending Review has put yet more pressure on the Council's finances. As a result this scheme is not to be pursued and the Capital Plan provision has been removed.
- 1.4.6 The Local Environmental Management Advisory Board (LEMAB) on 4 March and subsequently Cabinet on 26 March recommended that a Capital Plan provision of £150,000 be established funded from grant and parties' contributions as outlined in the report to LEMAB on 4 March to evaluate the impact on local air quality from retrofitting buses on the A20 with emissions reducing equipment.
- 1.4.7 Cabinet on 9 October recommended that a Capital Plan scheme be introduced to enable the purchase of tablet devices for Members and senior managers at an estimated cost of £23,000 to facilitate electronic provision of democratic information and to cease printing committee agendas and reports in the light of the financial savings to be made; and was approved by full Council on 5 November.
- 1.4.8 A virement of £3,000 from the Tonbridge Cemetery Memorial Safety budget and £14,000 from the Car Park Improvement Programme budget in order to cover the anticipated increased costs associated with the Lower Castle Fields Car Park Expansion.
- 1.4.9 The scheme to incorporate electronic document management within the Council's ledger system has been deleted. It's reintroduction in the future is likely to be encompassed in a corporate led expansion of document imaging. In deleting the scheme, £15,000 of budget provision has been utilised to fund additional system interface requirements associated with the replacement of the Council's cash receipting system.
- 1.4.10 Trial excavations have revealed additional works are required to the Avebury Avenue Bridge abutments to support the replacement decking. Additional costs to complete the Racecourse Sportsground Bridge renewal are estimated at £50,000

taking the total project cost to £145,000. The cost increase is met in part by a virement of £41,000 from the Community Partnership Initiatives scheme.

- 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 2014/15 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 £829,000 per annum (2013/14 – 2019/20) compared to £899,000 per annum (2012/13 – 2018/19).
- 1.4.12 Provision for recurring expenditure has also been extended by a further year (see table below). For the year 2014/15 only the annual provision of £30,000 in respect of our off street car parks is to be increased to £55,000 to cover the cost of restoring the Upper Castle Fields Car Park retaining wall.

Capital Plan (List A) recurring expenditure		
	2019/20 £000	Annex 2 Page
Planning, Housing and Environmental Health		
Improvements to existing car parks rolling programme	30	CP 12
Housing disabled facilities grants (net)	201	CP 16
Housing assistance	106	CP 16
Street Scene and Leisure		
Green waste bins growth / replacement	52	CP 21
Refuse bins growth / replacement	52	CP 21
Leisure community group funding	8	CP 27
Corporate		
General IT developments	30	CP 32
Total	479	

- 1.4.13 A number of other minor adjustments to scheme budget provisions have been made. Any budget amendments have been highlighted in bold in the detailed scheme notes in **[Annex 2]**.
- 1.4.14 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 2013 meeting of this Advisory Board a number of schemes which have been approved for implementation and now appear in the Capital Plan (List A) have been removed from List C. The updated schedule includes schemes which are recommended to be added to List C and schemes recommended to be

deleted from List C. To assist Members a summary of the proposals is detailed in the table below.

List C additions and deletions		Annex 3 Page
Schemes to be added to List C		
Planning, Housing and Environmental Health		
Car Parking Action Plan Phase 9		CP 36
Street Scene and Leisure		
Tonbridge Racecourse Sportsground Improvements Phase 3		CP 44
Tonbridge Farm Sportsground Provision of Toilets		CP 44
Tonbridge to Penshurst Cycle Route Refurbishment		CP 47
Schemes to be deleted from List C		
Street Scene and Leisure		
Haysden Country Park De-silting of Haysden Water Lake		CP 45

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. If the recommendations are accepted the evaluations will be reported to this Board in January 2015. To assist Members, the table below summarises those recommendations.

Schemes selected for evaluation from List C		Annex 3 Page
Planning, Housing and Environmental Health		
Car Parking Action Plan Phase 9		CP 36
Street Scene and Leisure		
Larkfield Leisure Centre Installation of UV Pool Disinfectant Plant		CP 42
Tonbridge Farm Sportsground Provision of Toilets		CP 44
Tonbridge to Penshurst Cycle Route Refurbishment		CP 47
Tonbridge School Athletics Track Improvements		CP 48

1.6.4 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 2012/13 and previous Capital Plan reviews a number of schemes were selected for evaluation. A few evaluations have yet to be concluded and will be reported to Members in due course. The results of those evaluations which have been concluded are given 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 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.

Capital / revenue consequences of evaluated schemes			
	Capital Cost	Estimated annual revenue / renewals cost	Annex 4 Page
	£'000	£'000	
Planning, Housing and Environmental Health			
Wouldham River Wall	700	35	CP 50
Street Scene and Leisure			
Larkfield Leisure Centre Refurbishment of Lifestyles Health Suite (Option 2)	240	4	CP 52
Leisure Centres Energy Saving Measures Phase 3 (Option 2)	40	1	CP 56
Total	980	40	

- 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 inclusion on List B does not commit a scheme to be included on the Capital Plan, but is an expression of “in principle” support. Other than loss of 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 The Council will at sometime in the not too distant future have to carry out reinstatement works to the river wall, Wouldham and it is only right that money is set aside for this purpose. As a result it is **recommended** that a specific earmarked reserve for this purpose is established in the sum of £700,000 and that this scheme sits outside the annual allowance of £320,000 with an implementation date for capital plan purposes of 2015/16.
- 1.7.6 List B schemes will be considered by Cabinet on 4 February alongside the revenue estimates. Schemes may be selected for transfer from List B to the Capital Plan (List A) taking into account budget guidelines and the annual allowance.
- 1.7.7 It is **RECOMMENDED** that Cabinet be asked to endorse:
- 1) The transfer of the schemes listed in paragraph 1.7.3 from List C to List B.
 - 2) In the case of the river wall, Wouldham scheme a specific earmarked reserve is established in the sum of £700,000 and that this scheme sits outside the annual allowance of £320,000 with an implementation date for capital plan purposes of 2015/16.

1.8 Capital Strategy

- 1.8.1 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.”
- 1.8.2 The 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 2013/14 estimates and the balance sheet as at 31 March 2013. 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 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 4 February 2014 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 Actions, 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 Actions.

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 Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.

1.13.2 It is **RECOMMENDED** that Cabinet be asked to amend List C as detailed in paragraph 1.5.1.

1.13.3 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation.

1.13.4 It is **RECOMMENDED** that Cabinet be asked to endorse:

- 1) The transfer of the schemes listed in paragraph 1.7.3 from List C to List B.
- 2) In the case of the river wall, Wouldham scheme a specific earmarked reserve is established in the sum of £700,000 and that this scheme sits outside the annual allowance of £320,000 with an implementation date for capital plan purposes of 2015/16.

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

Background papers:

Nil

contact: Michael Withey
Neil Lawley

Sharon Shelton
Director of Finance and Transformation

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.