

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

13 January 2016

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2015/16

This report:

- **reviews the current position of the existing Capital Plan (List A),**
- **recommends schemes to be added to and deleted from List C,**
- **recommends schemes from List C for evaluation, and**
- **recommends schemes for inclusion on List B from those evaluated schemes selected for evaluation this time last year or earlier.**

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 The criteria established to guide the inclusion of new List C schemes (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision) are:

- to meet legislative requirements including health and safety obligations;
- funded from external resources; and
- reduce revenue expenditure and or generate income.

1.1.3 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 no doubt be aware of the significant financial challenge facing the Council as a result of the Government's ongoing budget deficit reduction programme which has resulted in continuing reductions in the financial support it can offer to local government.
- 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.
- 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 existing assets (vehicles, plant and equipment) as well as recurring capital expenditure.
- 1.2.4 As a result there is 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. It should be noted, based on current projections, that from 2019/20 the Council will need to borrow to fund such expenditure. In order to support the funding arrangement in respect of the Tonbridge Town Lock Scheme in April 2015 the annual capital allowance was set at £200,000 and it is proposed that the annual allowance continue to be set at that level.

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 from 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 The Overview and Scrutiny Committee on 26 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 11 February. Cabinet on 11 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 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 2015/16 Budget Book have been made:

- the outturn for 2014/15 has been taken into account and any slippage still required has been included in 2015/16;
- schemes included in the existing Budget Book which were completed in 2014/15 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2021/22, 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 1.4.9 detail specific amendments to the Capital Plan (List A) approved by Council in February 2015.

- 1.4.3 At the March meeting of Cabinet Members agreed to an increase in the gross budget provision for Tonbridge Town Lock and following the latest cost estimate is to be increased by a further £75,000. The increased cost is expected to be met from developer contributions. The overall project costs have increased due to a number of unforeseen issues arising during the course of the works which have involved additional design and physical works to overcome.
- 1.4.4 The refurbishment of the Health Suite at Larkfield Leisure Centre is included in the Capital Plan in the current financial year and the associated budget provision was £300,000. However, following the outcome of a competitive tendering exercise the budget provision was increased to £402,000. The increase in the budget provision to be met by way of virements; and a £50,000 contribution from the Tonbridge and Malling Leisure Trust. The use of the urgency procedure to approve the additional funding was reported to the Overview and Scrutiny Committee on 15 September 2015 and Cabinet on 7 October 2015. Subsequent to the commencement of the works there was an opportunity to undertake additional works whilst the contractor was on site at an estimated cost of £20,000. The cost of the additional works to be met in full by the TMLT. Given the time scale for the works, urgent approval was sought from the Leader of the Council and the Chairman of the Overview and Scrutiny Committee to amend the Capital Plan accordingly. In addition, for greater transparency, the Cabinet Member for Finance, Innovation and Property, Cabinet Member for Community Services and the Leader of the Opposition Group were also invited to consider the request.
- 1.4.5 Management Team approved a virement of £11,000 from the Local Transport Plan Partnership Programme to the Transportation Public Transport Initiatives revenue budget to meet consultancy costs associated with the Tonbridge Station interchange improvements.
- 1.4.6 The Council will at some time in the not too distant future have to carry out reinstatement works to the river wall, Wouldham. As a result a few years ago the sum of £700,000 was set aside for this purpose. The latest cost estimate is £1,000,000 and the budget provision has been increased accordingly with an implementation date for capital plan purposes of 2016/17. The increase in the budget provision to be met by capital receipts derived from the sale of assets.
- 1.4.7 The stabilisation works to a section of the river bank at Tonbridge Castle is currently out to tender. The Council has secured a grant of £150,000 towards the cost of the works and await the outcome of the tender process to determine the need for any additional funding and how that might be met.
- 1.4.8 Capital renewals provisions have been extended by a further year to enable the current level of assets (vehicles, plant and equipment) to be maintained. Members will recall the Overview and Scrutiny review of capital renewals undertaken in 2015 which facilitated a reduction in the annual contribution of some £72,000 per annum. Renewals figures included in 2016/17 and subsequent years incorporate provision for inflation (typically an uplift of 2% per annum). Average

renewals spend over the seven-year period of the plan is £762,000 per annum (2015/16 - 2021/22) compared to £748,000 per annum (2014/15 - 2020/21).

- 1.4.9 Provision for recurring expenditure has also been extended by a further year (see table below).

Capital Plan (List A) recurring expenditure		
	2021/22 £'000	Annex 2 Page
Planning, Housing and Environmental Health		
Housing disabled facilities grants (net)	175	CP 14
Housing assistance (net)	60	CP 14
Street Scene, Leisure and Technical Services		
Green waste bins growth / replacement	31	CP 20
Refuse bins growth / replacement	61	CP 20
Leisure community group funding	8	CP 24
Improvements to existing car parks rolling programme	30	CP 26
Corporate		
General IT developments	30	CP 34
Total	395	

- 1.4.10 A number of other minor adjustments to scheme budget provisions have been made. Any budget amendments have been highlighted in bold italics in the detailed scheme notes in **[Annex 2]**.

- 1.4.11 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]** noting:

- 1) The increase in the budget provision in respect of the Tonbridge Town Lock capital plan scheme and how that is to be funded (paragraph 1.4.3 refers).
- 2) The additional works at an estimated cost of £20,000 to be met in full by the TMLT and the use of the urgency procedure to amend the Capital Plan accordingly (paragraph 1.4.4 refers).
- 3) The increase in the budget provision in respect of the river wall, Wouldham capital plan scheme and how that is to be funded (paragraph 1.4.6 refers).

1.5 Selection of New List C Schemes

- 1.5.1 Members are aware of the undoubtedly difficult financial landscape that lies ahead where it will be difficult to fund other than priority capital plan schemes. As a result a number of what could be termed 'like to do' schemes that, in many cases,

have sat on List C for a number of years are recommended to be deleted and, in so doing, focus attention on what are seen as priority capital plan schemes or where there is potential for external funding.

- 1.5.2 An updated schedule of List C schemes is attached at **[Annex 3]**. Since the January 2015 meeting of this Advisory Board 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 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	
Street Scene, Leisure and Technical Services	
Larkfield Leisure Centre: Pool Hall Roof	CP39
Tonbridge Racecourse: Rugby Pitch Drainage Improvements	CP41
Haysden Country Park: Site Improvements	CP41
Tonbridge Castle: Site Improvements	CP 43
Environmental Improvements: Blossom Bank Development, Tonbridge, New Pedestrian Bridge	CP 46
River Medway, Riverside Lighting, Tonbridge	CP 47
Corporate Services	
IT Initiatives: Council Chamber Conference System	CP 52
IT Initiatives: Virtual Desktop Infrastructure	CP 53
Schemes to be deleted from List C	
Street Scene, Leisure and Technical Services	
Poult Wood Golf Centre: Drainage	CP39
Country Parks: Installation of Automatic Bollards	CP43
Car Parking: East Malling Car Park Access & Security Improvements	CP45
Car Parking: Resident's Car Parking, Eccles	CP45
Environmental Improvements: Conservation Area Enhancements	CP46
Larkfield (A20) Local Shopping Area	CP47
Shopping Parade Enhancement, Woodlands Road, Ditton	CP48

The Fosse/Lansdowne neighbourhood	CP48
Tonbridge Town Centre Enhancements Phase 2	CP49
Twisden Road Shopping Parade	CP50
Land Drainage & Flood Defence: Drainage Improvement Programme	CP50
Local Transport Plan Partnership Programme	CP51
Community Partnership Initiatives	CP51

1.5.3 Kent County Council (KCC) is currently progressing proposals for the provision of a new / enhanced tow path from Maidstone to Allington lock. KCC and Maidstone Borough Council have secured £2 million from the local growth fund for the project and Maidstone Borough Council has indicated funding of up to £500,000. KCC is seeking a contribution from this Council of up to £300,000 for the project to extend the path from Allington to Aylesford station. Whilst it is recognised that the proposal would be desirable in terms of improving access along the riverside, it does not meet the Council's existing priorities or stated criteria for capital funding, and no developer contributions are either available or forthcoming in the locality. A contribution of £300,000 would be in excess of the Council's entire annual allowance for funding new schemes and could bring forward the date when the Council would have to borrow to fund new capital plan schemes. As a result it is felt that the proposal from KCC cannot be supported.

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

- 1) Amend List C as detailed 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 one recommended for Fast-Track evaluation. To assist Members, the table below summarises the schemes that have been recommended for evaluation coming out of this Capital Plan Review. If the recommendations are accepted the evaluations will ordinarily be reported to this Board in January 2017, together with four schemes selected for evaluation in a previous Review: Tonbridge Farm Sportsground Provision of Toilets, Leybourne

Lakes Country Park Facility Improvements, Tonbridge to Penshurst Cycle Route Refurbishment and IT Initiatives Revenues and Benefits Citizen's Access.

Schemes selected for evaluation from List C	
	Annex 3 Page
Street Scene, Leisure and Technical Services	
Haysden Country Park: Extension of Play Area (Fast-Track)	CP41
River Medway, Riverside Lighting, Tonbridge	CP47
Corporate Services	
IT Initiatives: Council Chamber Conference System	CP52
IT Initiatives: Virtual Desktop Infrastructure	CP53

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.

1.7 Evaluation of List C Schemes

1.7.1 As part of the 2014/15 and previous Capital Plan reviews a number of schemes were selected for evaluation. The results of those evaluations which have been concluded are given in **[Annex 4]** including the scheme recommended for Fast-Track evaluation.

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	Annual revenue / renewals cost	Annex 4 Page
	£'000	£'000	
Street Scene, Leisure and Technical Services			
Haysden Country Park: Extension of Play Area	55	5	CP 55
Total	55	5	

- 1.7.4 The Haysden Country Park: Extension of Play Area scheme is to be funded primarily by a grant of £50,000 from the Sita Trust. Release of the grant is subject to a payment of £6,000 to a third party. As a result the balance of £11,000 is to be funded by way of a virement from the Tonbridge Racecourse Sportsground Flood Lighting scheme.
- 1.7.5 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 in 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.
- 1.7.6 List B schemes will be considered by Cabinet on 11 February alongside the revenue estimates. Schemes may be selected for transfer from List B to the Capital Plan (List A) taking into account the overall budget position.
- 1.7.7 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the schemes listed in paragraph 1.7.3 from List C to List B.

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. 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 Key Financial Statistics in paragraph 2.1 of the annex have been updated to reflect the 2015/16 estimates and the balance sheet as at 31 March 2015. 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. A more comprehensive update will

be presented to Members in due course to reflect the new Corporate Plan, Savings and Transformation Strategy and Asset Review Strategy.

- 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 The Local Government Act 2003 and its subsidiary regulations set out the framework for the system of capital controls which applied from 1 April 2004 whereby local authorities must set their own borrowing limits with regard to affordability, prudence and sustainability. Underpinning this is a requirement to follow the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

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 11 February 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 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

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]** noting:
- 1) The increase in the budget provision in respect of the Tonbridge Town Lock capital plan scheme and how that is to be funded (paragraph 1.4.3 refers).

- 2) The additional works at an estimated cost of £20,000 to be met in full by the TMLT and the use of the urgency procedure to amend the Capital Plan accordingly (paragraph 1.4.4 refers).
- 3) The increase in the budget provision in respect of the river wall, Wouldham capital plan scheme and how that is to be funded (paragraph 1.4.6 refers).

1.13.2 It is **RECOMMENDED** that Cabinet be asked to amend List C as detailed in paragraph 1.5.2.

1.13.3 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.

1.13.4 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the schemes listed in paragraph 1.7.3 from List C to List B.

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

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