

## TONBRIDGE AND MALLING BOROUGH COUNCIL

### CAPITAL STRATEGY

#### 1 Introduction

- 1.1 The purpose of the Capital Strategy is to document the principles and framework that underpin the Council's capital investment and expenditure proposals. The strategy is drawn up under the framework provided by the Local Government Act 2003 and its associated regulations.
- 1.2 The principal aim of the Capital Strategy is to provide a context for a programme of capital investment (known as the Capital Plan) that will assist in the achievement of the Council's strategic priorities and objectives. The Capital Plan is published in the Council's [budget book](#) and available on the Council's website.
- 1.3 The component elements of the Capital Strategy comprise:
- A statement of the financial context within which the Council needs to determine its approach to capital investment (Section 2).
  - A description of the legislative framework and Central Government policies that will influence capital investment decisions (Section 3).
  - An explanation of the direct relationship between capital investment decisions and the Council's strategic priorities and objectives (Section 4).
  - The key principles supporting the Capital Strategy (Section 5).
  - Consideration of various partnership arrangements (Section 6).
  - Explanation of the processes to be followed in the implementation and management of the Capital Strategy (Section 7).
  - The Capital Plan (Section 8).
  - Post implementation reviews (Section 9).

#### 2 The Financial Context

- 2.1 Key financial statistics are:

|   |                       |
|---|-----------------------|
| Net Budget Requirement <b>2013/14</b>                       | <b>£13.08</b> million |
| Government Grant / Business rates <b>2013/14</b>            | <b>£5.03</b> million  |
| Borough Council Band D Charge <b>2013/14</b>                | <b>£180.26</b>        |
| Capital Plan <b>2013/14 to 2018/19</b> (Gross expenditure)  | <b>£12.03</b> million |
| Fixed Assets at 31 March <b>2013</b>                        | <b>£62.34</b> million |
| Debt Outstanding at 31 March <b>2013</b>                    | Nil                   |
| Revenue Reserve for Capital Schemes at 31 March <b>2013</b> | <b>£8.34</b> million  |

- 2.2 The Council transferred its housing stock to Russet Homes (formerly known as Tonbridge and Malling Housing Association) in 1991 and from the proceeds repaid all external debt. It is not expected that the Council will need to borrow to fund its capital expenditure prior to 2018/19.
- 2.3 A [Medium Term Financial Strategy](#) (MTFS) was adopted in 2003/04. The MTFS together with the Council's key priorities and the Prudential Code (see

paragraph 3.1) form the basis for any capital investment decisions. The MTFS was used to guide the selection of new Capital Plan schemes in recent years and will continue to be a major influence on the **2013/14** and subsequent Capital Plan reviews. The MTFS is updated at least once a year and the latest version is published on the Council's website.

- 2.4 Although it no longer directly owns and manages a housing stock, the Council has a wide and varied strategic housing responsibility and has identified, through the Housing Strategy four key priorities:
  - Provision of affordable housing
  - Tackling homelessness
  - Private sector renewals and energy efficiency
  - Assisting vulnerable households.
- 2.5 The Housing Strategy identifies means, outside the Capital Plan, by which the Council seeks to identify new funding opportunities for meeting these priorities and to support Registered Provider (RP) partners in accessing resources for new development and other initiatives. Details of the Council's housing investment priorities can be found in **the** Housing Strategy 2013-2016 **approved by** Council in April 2013.
- 2.6 Government support to the Council in terms of Capital funding is mainly focussed on mandatory Disabled Facilities Grants (DFGs) for adaptations to disabled persons' homes. In the past 60% of funding for DFGs, up to an annual limit, came from the government. Local authorities were required to find the remaining 40% from their own resources. From 2008/09 the DFG funding split of 60:40 no longer applies. Local authorities instead receive a DFG allocation without a specified requirement to match this funding. For **2013/14** the DFG allocation **from Government** is **£415,000**.
- 2.7 The potential for generating future capital receipts is limited. The main source of capital receipts is the disposal of capital assets, mainly land, for which there are now limited opportunities. The Council's holdings of assets are kept under review so as to expose any further opportunities that may still exist to release resources for re-investment.
- 2.8 The demographic and economic features of the Borough give rise to a realistic assessment of very limited opportunities to attract funds from national and regional sources. **From a** European **perspective** the Borough does not have any specific objective areas status **and** thus **European Union** funding is also seen as limited. Nevertheless, the Council will continue to investigate and exploit external funding initiatives where projects are identified which deliver the Council's key priorities and do not generate unsustainable revenue budget commitments. European Union funding has previously been obtained for Tonbridge Castle Gatehouse and the Tonbridge to Penshurst Cycleway.
- 2.9 The Revenue Reserve for Capital Schemes (RRCS) contains funds the Borough Council has previously put aside from revenue to fund capital expenditure. This reserve provides the main source of funding for existing and any new schemes that are introduced into the Capital Plan.

- 2.10 The reserve is generally topped up annually by a revenue contribution as part of the Council's budget setting process. That top-up is intended to contribute sufficient new funds to meet the cost of replacing existing plant and equipment as it reaches the end of its useful life as well as providing money for the non-grant funded element of statutory services such as Disabled Facilities Grants. Clearly, replacement of life expired assets such as IT and the equipment used in our leisure facilities and elsewhere is essential to enable the Council to continue to deliver services
- 2.11 The 2008/09 original estimates made provision for a contribution to the RRCS of £450,000 which represents approximately one third of the Council's long term capital renewals and other annually recurring expenditure. As part of a package of measures to address the significant financial pressures facing the Council, Members agreed as part of the budget setting process for 2009/10 to temporarily suspend the RRCS annual top-up (Finance and Property Advisory Board, January 2009). Agreement to that suspension was predicated on:
- Deleting / scaling back existing approved capital budget provision where feasible
  - Limiting budget provision for new additions to the Capital Plan to no more than £600,000 in any one year, and
  - Re-introducing the RRCS annual top-up within a reasonable time frame and increasing the annual contribution over time to a level sufficient to meet capital renewals and other annually recurring expenditure, currently £1.5m pa.
- 2.12 The RRCS balance at 31 March **2013** was **£8.34m**. The annual limit on new additions to the Capital Plan and commitment to re-introduce and increase the annual RRCS contribution over time will enable the authority to support new investment, without recourse to borrowing prior to 2018/19.
- 2.13 The annual limit on new additions to the Capital Plan and the annual RRCS contribution figures will be reviewed as part of each year's revenue and capital budget setting process. In setting the budget for **2013/14** Members agreed the annual limit for new schemes at **£320,000** per annum.

### **3 Legislative Framework and Central Government Policies**

- 3.1 The legislative framework is set out by the Local Government Act 2003 and its subsidiary regulations. This framework provides for a prudential system based on borrowing limits set by each individual local authority. Under this system, local authorities must have regard to affordability, prudence and sustainability and must follow the "[Prudential Code for Capital Finance in Local Authorities](#)" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.2 The Prudential Code also requires that the CIPFA Code of Practice for Treasury Management in the Public Services is adopted. The Code of Practice adopted by Council *in* September 2003 was revised during 2009.

The revised Code underpins the Council's Treasury Management Strategy Statement and Annual Investment Strategy for **2013/14** adopted by Council in February **2013**.

- 3.3 All government support for the Council's capital expenditure in **2013/14** is by way of capital grant. Government support through capital grants is usually ring-fenced for specific purposes. Recently, the Council has been successful on several fronts in securing grants, notably the Town Lock scheme in Tonbridge which has received capital grant from the Department for the Environment, Food and Rural Affairs (Defra). It is the Council's intention to try to secure capital grants, wherever possible, for schemes which advance the Council's key priorities.
- 3.4 The prudential framework for capital expenditure is intended to encourage local authorities to use resources more flexibly and plan for the longer term; provide more autonomy and accountability, with local authorities having greater responsibility for local capital spending decisions; move towards improved corporate and strategic working, with more effective tackling of cross-cutting issues; and better use and management of assets. Another key element of the legislative framework is the duty to secure economy, efficiency and effectiveness in the Council's use of resources. Achieving value for money is addressed in Section 5 of the Strategy as one of the key principles to be applied in capital investment decisions.

#### **4 Key Priorities**

- 4.1 The Council works with a range of partners and our local communities towards achieving the following key priorities:
- Continued delivery of priority services and a financially viable Council.
  - A clean, smart, well maintained and sustainable Borough.
  - Healthy living opportunities and community well-being.
  - Children and young people who are safe, involved and able to access positive activities.
  - Low levels of crime, anti-social behaviour and fear of crime.
  - A continuing supply of homes, including affordable housing to buy and rent, and prevention of homelessness.
  - Sustainable regeneration of Tonbridge town centre and economic development in communities across the Borough.
- 4.2 **Our 2012/15 [Corporate Performance Plan](#)** sets out how we **are doing** this. It justifies and sets out the context for each of our key priorities, and brings together the main ongoing activities, improvements and measures to achieve and assess progress. This requires a collective effort across all of the Council's services. **First** published in July 2012 **it is** reviewed **and updated annually**.
- 4.3 The improvement actions set out within our Corporate Performance Plan, together with a range of specific improvement projects and initiatives that underpin them are cascaded down into section plans across the Council.

These section and other plans also cover a range of other priorities, improvements and indicators that are set and managed by individual services.

- 4.4 The Council's key priorities are supported by a wide range of Strategies, and Plans. These will be kept under review to ensure they provide sound linkages to the Capital Strategy.
- 4.5 The Council's capital investment decisions should be in support of its key priorities, and this *is* an integral part of the evaluation process for each project under consideration. The Council's Capital Plan specifically records the linkage between individual projects and the key priorities. No project should proceed to inclusion within the Capital Plan unless it furthers achievement of the Council's key priorities.

## 5 Principles Supporting the Capital Strategy

- 5.1 The key principles that underpin the Council's Capital Strategy are:
- 5.2 **Key Priorities.** Establishment of a direct relationship with the Council's key priorities, with a Capital Plan based upon investment needs and prioritised on an authority-wide basis. This demonstrates an explicit link with key strategic planning documents and recognition of the need for a corporate approach to cross-cutting issues such as the environment, social inclusion, affordable housing and community safety.
- 5.3 **Public Consultation.** The use of public consultation is, indirectly, an important part of developing the Capital Plan through its use setting priorities and developing strategies, which may lead to capital projects coming forward.
- 5.4 **Other Consultation.** As well as individuals communicating directly with Council Officers and Members, other conduits exist for expressing views to the Council. The Parish Partnership Panel, the Tonbridge Forum, the Tonbridge Sports Association, the Disability Working Party, and customer panels at leisure centres allow specific persons or groups of users to express their views.
- 5.5 **Partnerships.** Partnership initiatives are considered in Section 6 including the Tonbridge and Malling Local Strategic Partnership, the West Kent Partnership and the Community Safety Partnership which help shape policy objectives and which aim to deliver projects in conjunction with others.
- 5.6 **Procurement Strategy.** Corporate policies on procurement are detailed in the updated [Procurement Strategy](#) approved by Cabinet *in* March 2011. This strategy seeks to ensure that good procurement practice is applied consistently throughout *the* Council. It sets out how the Council will address procurement and establishes its importance to the Council and the contribution it can make to improved service delivery.

- 5.7 **Support for Regional and National Priorities.** To support, where possible, regional and national priorities, for example urban renaissance, transportation improvements, environmental initiatives such as increased levels of recycling.
- 5.8 **Support for Local Priorities.** The Borough Council has been consistently investing in its car parks to support the local economy through a phased programme of improvements. As a Flood Risk Management Authority, we will maintain our support for the flood defence schemes being developed for Aylesford, Little Mill and East Peckham.
- 5.9 **Availability of External Funding.** In support of the Council's strategic priorities and objectives to monitor and pursue available forms of external partnership and **other** funding including European and Lottery **funds**. **Recent** examples include the provision of all-weather pitches with community use at Wrotham and Hayesbrook schools, funded **by** grants from the Football Foundation and other partners augmenting School and Council contributions.
- 5.10 The Council's [Local Development Framework Core Strategy](#), adopted in 2007, supports the Government policy that development should contribute towards the community services and infrastructure that are necessary to support that development. Developer contributions (S106 obligations) are brought forward by planning conditions or legal obligations on a case by case basis. These arrangements have brought forward contributions to affordable housing, education facilities, children's play, sports pitches, leisure facilities, highway works and transportation services. However, the Government has quite clearly indicated its perception that the planning system is a 'drag anchor' on the economy. Our local analysis is that nothing that this Council is doing through the use of S106 obligations is holding back development. Indeed, development of key sites continues to progress well despite the current economic environment. Nevertheless, we must be alert to the fact that the Government is actively promoting the notion of reviewing and renegotiating S106 obligations. Funding properly made available from this source has been an important element of funding **for** the Council's Capital **Plan** but it has to be recognised that in the years ahead this may not be such a beneficial resource.
- 5.11 The Council has just embarked on a new Local Plan for the Borough which will set out development policies and proposals **beyond** 2013. The funding of community infrastructure will be an important element **in** the new plan
- 5.12 **Use of the Council's Assets.** Maintenance of an Asset Management Plan and performance measures for the use of Council owned assets to ensure optimum returns and early release of redundant assets in support of strategic investment priorities and to attract inward investment.
- 5.13 **Consideration of the Impact on the Council's Revenue Budget.** To ensure that capital investment decisions are consistent with the Council's Medium Term Financial Strategy, particularly the management of its revenue budget so as to reduce its dependence upon the use of revenue reserves.

- 5.14 **Value for Money.** Each year as part of the Annual Governance Report the Council's external auditor will express an opinion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Those arrangements amongst others will include:
- Planning finances effectively to deliver strategic priorities and secure sound financial health.
  - Having a sound understanding of costs and performance and achieving efficiencies in activities.
  - Commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
  - Producing relevant and reliable data and information to support decision making and managing performance.
  - Managing assets effectively to help deliver strategic priorities and service needs.
- 5.15 All of the Capital Plan processes from identification and selection of schemes, through implementation to subsequent review of completed schemes can contribute to achieving value for money.
- 5.16 **E-Government.** The government has previously set a target that all services should be available electronically, where feasible. Additionally the Department for Communities and Local Government (DCLG) has set 73 priority outcomes. The Borough Council has used its Capital Plan to meet these targets, assisted by the receipt of grant from the DCLG. Although the specific targets and priority outcomes are no longer applicable, the general objective to make services available electronically still applies and is a priority in order to improve efficiency and economy and to meet customer aspirations for self service, particularly via the website.

## 6. Partnerships

- 6.1 **The Tonbridge and Malling Local Strategic Partnership (LSP).** This partnership was launched in 2008 following a review of the role and remit of the West Kent Partnership. That review concluded that each of the three West Kent Districts should have their own district based [Local Strategic Partnership](#), leaving the West Kent Partnership to focus on issues of concern that were relevant to all three district areas including economic development and transport.
- 6.2 The Tonbridge and Malling LSP is now well established and has attracted a high level of representation from the public, private, voluntary and faith sectors. Its work focuses on addressing key issues of concern locally such as older people's services, the needs of young people, the local economy, affordable housing and public health issues.
- 6.3 **West Kent Partnership.** The Council is a founding member of the [West Kent Partnership](#), formed on a sub regional rather than district basis, reflecting the degree of economic and social homogeneity across West Kent and a shared community of interest. The other members are Kent County Council,



Sevenoaks DC, Tunbridge Wells BC, Primary Care Trust, Police, the FE Education Sector, Registered Providers and other Social Housing Providers, Kent Association of Parish Councils, transport providers and representatives of the business community.

- 6.4 The Partnership works with other partners in a joined up fashion for the benefit of the local community with a focus on economic development and infrastructure issues. The Partnership has also led a successful bid for Leader funding to support the rural economy. Over the past 4 years, a total of £1.6m has been invested in the area to support local farming, forestry and rural businesses. More recently, the Partnership has led a successful bid to the Government's Regional Growth Fund to provide funding of £5.5m to enable interest free business loans to be offered. In addition, a new West Kent business support programme has now been launched following a successful bid to the County Council's Regeneration Fund
- 6.5 **Transportation Partnership.** The Borough Council has consistently sought to influence the quality of transportation services in its area and the amounts invested in them by the relevant authorities. These authorities include the local highway authority, (Kent County Council), the strategic road network authority (the Highways Agency) and the rail industry.
- 6.6 The member-level manifestation of this is the Joint Transportation Board, comprising equal numbers of Borough and County Councillors guiding decision making on local traffic and highway matters. This is supported by joint working at officer level focussing on initiatives such as the Medway Valley Sustainable Transport Strategy (MVSTS). This strategy underpins and provides a framework for over £10m of contributions from various strategic development sites in the north of the Borough to fund elements of the strategy. These include the provision of service enhancements along the A20 corridor to make public transport more attractive and convenient for passengers.
- 6.7 A parallel component of the strategy is the ***imminent*** remodelling of the West Malling Station forecourt to radically improve multi-modal access to the station, including safe pedestrian access to the station building from nearby car parks, bus stops and non-motorised routes; access arrangements and layover space for buses and taxis; and 'kiss-and-ride' facilities. A partnership team including representatives from KCC, TMBC, Southeastern, Network Rail and local bus companies has been working to promote this project. Construction work is programmed to commence ***late*** 2013.
- 6.8 The ***Borough Council's Rail*** Manifesto sets out clearly the service expectations that the Council has for rail services for the Borough. ***This has been submitted to the Department for Transport in response to their consultation process for the next franchise and the interim Direct Award with the current operator.***
- 6.9 **Community Regeneration Partnership.** The Council has entered into partnerships which have made a genuine difference to the local community



with clear and tangible outcomes. Partnerships are now in place for Snodland, East Malling and Trench ward in Tonbridge.

- 6.10 The Council contributes a range of resources in such partnerships, including, where appropriate, capital funding. At East Malling, the Council has supported the conversion of a former school to a much needed community centre using capital investment. The centre is now operational and will act as a hub for the provision of services to the most deprived community in the Borough.
- 6.11 **The Community Safety Partnership (CSP).** As well as the Council, the partnership includes organisations such as Kent Police Authority, Kent County Council, Kent Fire and Rescue, South West Kent and Maidstone Weald Primary Care Trust, Probation Service, Russet Homes, and Kent Drug and Alcohol Action. The partnership has influenced the installation of CCTV in Tonbridge town centre and other borough locations, in partnership with the Home Office, Tunbridge Wells Borough Council and local traders, which has led to a reduction in crime as identified in the 2011/12 Strategic Assessment of crime trends.
- 6.12 **Tonbridge Central Area Action Plan.** *The Plan* provides the context for partnership projects to attract private sector investment in the town centre and secure transport and environmental improvements. A key focus is the project to deliver the redevelopment of the Botany Area with a retail-led scheme. This is expected to attract a number of new retailers, enable new community and leisure uses to emerge, add to the economic vitality of the High Street and make a major contribution to the overall regeneration of Tonbridge town centre. The Council is **at an advanced stage** in the process of negotiations involving its own land holdings with a view to securing the basis of the development arrangements during the latter part of 2013.
- 6.13 The Borough Council is promoting an enhancement scheme at Town Lock, as a precursor to the wider town centre initiative embodied in the local Action Plan. This is a partnership scheme with the Environment Agency to deal with an 'eye-sore' area in the heart of the town on the bank of the River Medway is also supported by funding contributions from developments in the area. The scheme is **now likely to be** completed in **2014**.

## **7 Implementing and Managing the Capital Strategy**

- 7.1 The Council has developed a process for considering and evaluating potential capital schemes as an integral part of its Capital Strategy. This process for selecting schemes is described below.
- 7.2 Schemes, subject to some exceptions listed below, are selected by a phased process. For convenience, the stages have been termed List A, List B and List C, with List A being the approved Capital Plan and List C being the entry level.
- 7.3 As schemes come forward they are stored in a list of schemes (List C) for consideration and possible evaluation. These schemes arise naturally from

the Council's strategic priorities and objectives, particularly the key priorities, reflect the results of consultation, and **are** accompanied by a preliminary cost estimate. As part of the budget setting process for 2011/12 Members agreed a set of criteria to guide the inclusion of new schemes to List C and ultimately the inclusion of schemes on List A. The criteria are: to meet legislative requirements including health and safety obligations; funded from external resources; generate income or reduce revenue expenditure. Justification would need to be provided for any schemes that failed to meet one or more of these criteria in order for them to progress through the capital plan process.

- 7.4 From List C, Members select schemes for evaluation. Evaluations will include:
- Specification of the purpose of the scheme and its relevance to the Council's strategic objectives and **any** wider national policy objectives, the setting of targets by which the success or otherwise of the project can be judged post-implementation.
  - An outline design to facilitate costing and, where appropriate, consultation.
  - Consultation, including, where appropriate, public consultation on the scheme's principle.
  - The establishment of a realistic estimated capital cost, incorporating any consultation feedback on design issues.
  - An assessment of the ongoing **revenue** costs and income generating capacity of the completed scheme including an assessment of the loss of interest from investments and impact on capital renewals provisions.
  - Consideration of partnership and external funding opportunities.
  - Consideration of the time after the end of the project during which the targets and objectives should be reviewed and reported to stakeholders.
- 7.5 The evaluation process will reveal the impact of the project on the revenue base budget, enabling Members to compare the value of the scheme with the financial savings required to pay for it or the impact on the Council Tax requirement. Schemes successfully passing through evaluation will be included in List B.
- 7.6 The Council is conscious that the process of evaluation is a revenue cost in itself; involving in-house staff and resources or the buying in of external resources and which may draw resources away from the implementation of the approved Capital Plan. In order to minimise the resource impact of evaluation it is important that restraint is exercised in selecting schemes for evaluation. A balance is struck each year between deliverability of the programme and the evaluation of new schemes.
- 7.7 Under the constitutional arrangements adopted by the Council, the evaluated schemes will be reported to Finance, **Innovation** and Property Advisory Board which will advise the budget meeting of Cabinet of those schemes deemed suitable to progress to be included on List B. Prior to the budget meeting of Cabinet that advice will be reviewed by Overview and Scrutiny Committee and may be updated. By considering all eligible schemes at the same time, a corporate approach can be taken to selecting those schemes deemed suitable to progress. Prioritisation of such schemes will be informed by the wider financial climate, the Medium Term Financial Strategy and the requirements of

the CIPFA Prudential Code. Prioritisation will take account of national and regional priorities, the Council's own strategic priorities and objectives and the financial consequences arising from the schemes proposed.

- 7.8 The main exception to this selection procedure is the investment necessary to maintain existing levels of service. This will consist primarily of renewals provisions and some one-off items outside the basic renewal provisions. These provisions are subject to Member scrutiny within List A and application of best value principles.
- 7.9 Ultimately the selection of new Capital Plan schemes from List B for inclusion in the Capital Plan (List A) will be determined by the Council following recommendations from the Cabinet in the light of advice from the Finance, **Innovation** and Property Advisory Board and Overview and Scrutiny Committee.
- 7.10 Finance, **Innovation** and Property Advisory Board will also review existing Capital Plan (List A) schemes, advising Cabinet of the result. This provides an opportunity to review the budget and progress of existing schemes or even to propose their deferment or deletion.

## **8 The Capital Plan**

- 8.1 The result of the process described in section 7 is the Council's Capital Plan. This is a medium term financial and capital planning document covering a seven-year period (current financial year + six).
- 8.2 Achievement against the Capital Plan is monitored regularly via monthly reports posted on the Council's intranet for use by the Council's staff. At the end of each quarter a statement is considered by the Council's Corporate Management Team and monitoring reports are presented to Members at meetings of the Finance, **Innovation** and Property Advisory Board.

## **9 Post Implementation Reviews**

- 9.1 It is important that any issues relating to the implementation of a Capital Plan project are addressed as soon as possible; either during the project or shortly after completion. The wider issues of the effectiveness and value for money of a project are addressed through a formal system of post-implementation review. The reviews take place after completion of a project, at a time determined during the evaluation process and are reported to an appropriate Advisory Board. Lessons learnt inform future capital programme decision making and are part of a system of continuous improvement. Monitoring reports are presented annually to the July meeting of the Finance, **Innovation** and Property Advisory Board.