

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

04 January 2017

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2016/17

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.**
- **Recommends schemes for inclusion on List B from those evaluated schemes selected for evaluation this time last year or earlier and in certain circumstances schemes identified for Fast-Track 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 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 reduce costs and or generate income. 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 2020/21 the Council will need to borrow to fund such expenditure. The annual capital allowance is set at £200,000 and it is proposed that the annual allowance continue to be set at that level.
- 1.2.5 In addition, the Invest to Save Reserve, subject to there being sufficient funds available and where deemed appropriate, could be used to fund in part or in full capital plan schemes.

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 24 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 9 February. Cabinet on 9 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 Capital Plan schemes should emerge from, or be designed to achieve, the Council's strategic priorities and objectives. As part of this review any new schemes being recommended for inclusion on List C are justified by reference to one of the three criteria detailed at paragraph 1.1.2. Elsewhere, Annexes 2, 3 & 4 contain references to the former 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 2016/17 Budget Book have been made:

- the outturn for 2015/16 has been taken into account and any slippage still required has been included in 2016/17;
- schemes included in the existing Budget Book which were completed in 2015/16 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2022/23, 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 1.4.11 detail specific amendments to the Capital Plan (List A) approved by Council in February 2016.
- 1.4.3 The Haysden Country Park Site Improvement scheme was approved by Cabinet on 1 March 2016. The scheme which is mainly funded by external grant provides for general improvements to the Country Park including works to the western end of Barden Lake.
- 1.4.4 In 2015/16 KCC funded a winter warmth programme to improve the safety and warmth of properties housing vulnerable people. Additional funding from KCC of £18,000 has been received to extend the scheme into 2016/17.
- 1.4.5 The Communities and Housing Advisory Board (25 July 2016) were notified of a significant increase in Government support for disabled facility adaptations in 2016/17 and 2017/18. The level of grant was sufficient to enable the £665,000 mandatory element of the Disabled Facility scheme to be funded in full and the excess grant of £105,000 set aside to fund a new Discretionary Disabled Facility scheme.
- 1.4.6 The Communities and Housing Advisory Board (25 July 2016) also reviewed the level of need for and funding arrangements for Housing Assistance. The gross budget of £90,000 was reduced to £60,000 per annum.
- 1.4.7 Cabinet (6 Sept 2016) approved a contribution of £0.5m to a multi-agency scheme to enhance the Leigh Flood Storage Area. Release of the contribution is not expected until 2020/21.
- 1.4.8 This Advisory Board (21 Sept 2016) agreed a capital grant of £200,000 be paid to TMLT allowing them to take responsibility, both now and in the future, for the replacement of all IT equipment used by the Trust.
- 1.4.9 The Communities and Housing Advisory Board (14 November 2016) sought Cabinet approval to expand the existing Revenues and Benefits Document Image Processing scheme to include the Housing Service. The estimated cost of £40,000 to be funded by way of virement from existing Capital Plan schemes.
- 1.4.10 For reasons outside the Council's control the original scheme with KCC and Maidstone Borough Council (MBC) to evaluate the air quality impacts of retro-fitting buses along the A20 corridor is not to be progressed. A similar scheme led by MBC is expected to take its place and the funding for the original scheme received from DEFRA, KCC and MBC held by this Council is to be transferred to MBC. As a result this scheme has been removed from the Capital Plan (List A).

- 1.4.11 Capital renewals provisions have been extended by a further year to enable the current level of assets (vehicles, plant and equipment) to be maintained. 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 £875,000 per annum (2016/17 - 2022/23) compared to £762,000 per annum (2015/16 - 2021/22).
- 1.4.12 Provision for recurring expenditure has also been extended by a further year (see table below).

Capital Plan (List A) recurring expenditure		
	2022/23 £'000	Annex 2 Page
Planning, Housing and Environmental Health		
Housing disabled facilities grants (net)	175	CP 14
Housing assistance (net)	30	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	365	

- 1.4.13 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]**.
- 1.4.14 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.

1.5 List C Update

- 1.5.1 Members are aware of the undoubtedly difficult financial landscape that lies ahead. As a result the focus is on what are seen as priority capital plan schemes or where there is potential for external funding. This includes investment in IT to enable more flexible and different ways of working to be adopted to support and assist delivery of the Savings and Transformation Strategy.
- 1.5.2 It should be noted that a number of List C schemes are dependent on and, will in all likelihood, only proceed if funded in full or in large part by developer

contributions, government grant or other external funding opportunities. An updated schedule of List C schemes is attached at [Annex 3]. The update includes schemes which are recommended to be added to List C and schemes to be deleted from List C.

- 1.5.3 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		
Angel Centre – Medway Hall Alternative use for Extreme Sports		CP 39
Larkfield Leisure Centre – Gym Extension / New Studio		CP 40
Larkfield Leisure Centre – Ventilation		CP 40
Tonbridge Racecourse Sportsground – Riverside Revetment		CP 43
Tonbridge Racecourse Sportsground – Swimming Pool Bridge		CP 43
Haysden Country Park – Car Park Extension		CP 44
Haysden Country Park – Site Improvements Phase 2		CP 44
Leybourne Lakes Country Park – Car Park Extension		CP 46
Taddington Valley – Woodland Management		CP 46
Tonbridge Cemetery – Path Works		CP 47
Corporate Services		
IT Initiatives – Upgrade to Payment Facilities Software		CP 51
IT Initiatives – Financial Services Document Management Software		CP 52
Schemes to be deleted from List C		
Street Scene, Leisure and Technical Services		
Blossom Bank Development, Tonbridge – New Pedestrian Bridge		CP48

- 1.5.4 It is **RECOMMENDED** that Cabinet be asked to amend List C as detailed in paragraph 1.5.3.

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 two 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.
- 1.6.4 In addition, there are five schemes selected for evaluation in a previous Review that are also planned to be evaluated in 2017/18 as follows: Tonbridge Farm Sportsground – Provision of Toilets, Leybourne Lakes Country Park – Facility Improvements, Tonbridge to Penshurst Cycle Route Refurbishment, River Medway – Riverside Lighting, Tonbridge 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	
Larkfield Leisure Centre – Ventilation	CP40
Racecourse Sportsground – Rugby Pitch Drainage Improvements	CP42
Racecourse Sportsground – Riverside Revetment (Fast-Track)	CP43
Racecourse Sportsground – Swimming Pool Bridge	CP43
Haysden Country Park – Car Park Extension	CP44
Leybourne Lakes Country Park – Car Park Extension (Fast-Track)	CP46
Tonbridge Cemetery – Path Works	CP47
Corporate Services	
IT Initiatives – Upgrade to Payment Facilities Software	CP51
IT Initiatives – Financial Services Document Management Software	CP52

- 1.6.5 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.4 for evaluation including two for Fast-Track evaluation.

1.7 Evaluation of List C Schemes

- 1.7.1 As part of the 2015/16 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 those schemes 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 £'000	Annual revenue / renewals cost £'000	Annex 4 Page
Street Scene, Leisure and Technical Services			
Leybourne Lakes – Car Park Extension	17	(2)	CP 53
Racecourse Sportsground – Riverside Revetment	120	4	CP 55
Corporate Services			
IT Initiatives: Council Chamber Conference System	95	18	CP 57
IT Initiatives: Virtual Desktop Infrastructure	200	27	CP 59
Total	432	47	

- 1.7.4 Two of the schemes detailed above are to be funded in part by way of government grant or external funding totalling £38,000 and the virtual desktop infrastructure project is to be funded from the Invest to Save Reserve; and the balance of £194,000 from the annual capital allowance.
- 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 on the capital allowance 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 9 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 Capital Strategy **[Annex 5]** is updated annually. This year’s update incorporates the new Corporate Strategy adopted by Council in November 2016.
- 1.8.3 The Strategy has no annexes but includes 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.
- 1.8.4 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 9 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 supporting the achievement of the Council’s priorities and corporate objectives, 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 priorities and corporate objectives.

1.12 Equality Impact Assessment

- 1.12.1 Where there is a perceived impact on end users an equality impact assessment has or will be carried out as schemes progress as appropriate.

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 1.5.3.
- 1.13.3 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.4 for evaluation including two 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

contact: Michael Withey
Neil Lawley

Sharon Shelton
Director of Finance and Transformation