

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**OVERVIEW AND SCRUTINY COMMITTEE**

**24 January 2017**

**Report of the Director of Finance and Transformation**

**Part 1- Public**

**Matters for Recommendation to Cabinet**

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

**1 CAPITAL PLAN REVIEW 2016/17**

**This report considers progress on the 2016/17 Capital Plan Review and requests endorsement of recommendations to Cabinet.**

**1.1 Introduction**

- 1.1.1 The capital plan process, as outlined below, provides a means of maintaining a pool of schemes (List C) from which schemes can be selected for evaluation and possible implementation. It also provides an opportunity to review the provisions for schemes which are already in the Capital Plan (List A).
- 1.1.2 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.

1.1.5 The Capital Plan review process started at the Finance, Innovation and Property Advisory Board on 4 January 2017, where Members considered the following issues:

- 1) The position of the existing Capital Plan (List A).
- 2) The addition of schemes to List C and the removal of schemes from List C.
- 3) The selection of schemes from List C to be evaluated.
- 4) Consideration of those schemes which have been evaluated.

## **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 Recommendations from Finance, Innovation and Property Advisory Board**

1.3.1 Details in respect of the existing Capital Plan (List A) can be found in the report to the Finance, Innovation and Property Advisory Board. The position of the existing Capital Plan (List A) presented to the Board and summarised in **[Annex 1]** was endorsed.

1.3.2 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. The schedule of schemes recommended to be added to and schemes to be deleted from List C **[Annex 2]** was endorsed by the Board.

- 1.3.3 The List C schemes recommended for evaluation **[Annex 3]** was endorsed by the Board including two for Fast-Track evaluation. 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.
- 1.3.4 The evaluated schemes **[Annex 4]** recommended for transfer from List C to List B was endorsed.

## **1.4 Capital Strategy**

- 1.4.1 The Chartered Institute of Public Finance and Accountancy has supplied the following background notes: “The Capital Strategy should describe how the investment of capital resources will contribute to the achievement of the authority’s key objectives and priorities that are detailed in their Performance Plans and Community Plans/Strategies. An authority’s Capital Strategy should be one of the key, overarching strategies that support service plans. The strategy will also determine priorities between the various services and look for opportunities for cross-cutting and joined-up investment. The authority’s Capital Strategy should describe how the deployment of capital resources contributes to the achievement of the described goals. It will also help to ensure that issues around property and other assets are fully reflected in the Council’s planning.”
- 1.4.2 The Capital Strategy **[Annex 5]** is updated annually. This year’s update incorporates the new Corporate Strategy adopted by Council in November 2016.
- 1.4.3 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.
- 1.4.4 The Finance, Innovation and Property Advisory Board endorsed the Capital Strategy as presented.

## **1.5 Legal Implications**

- 1.5.1 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).

## 1.6 Financial and Value for Money Considerations

- 1.6.1 The transfer of schemes from List C to List B has no financial impact. The transfer of schemes from List B to List A will be considered by Cabinet on 9 February in the context of the Medium Term Financial Strategy and the overall budget position.
- 1.6.2 The Capital Strategy outlines a capital plan process which follows the CIPFA Prudential Code and in addition to supporting the achievement of the Council's priorities and corporate objectives, focuses on value for money.

## 1.7 Risk Assessment

- 1.7.1 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.
- 1.7.2 Failure to endorse a satisfactory Capital Strategy may lead to a capital programme which does not fully support the Council's Key priorities and corporate objectives.

## 1.8 Equality Impact Assessment

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

## 1.9 Recommendations

- 1.9.1 It is **RECOMMENDED** that the recommendations to Cabinet by the Finance, Innovation and Property Advisory Board detailed at paragraph 1.3 be endorsed.
- 1.9.2 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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