

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 its associated regulations 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 2016/17	£9.93 million
Government Grant / Business rates excluding New Home Bonus 2016/17	£2.90 million
Borough Council Band D Charge 2016/17	£192.51
Capital Plan 2016/17 to 2021/22 (Gross expenditure)	£11.64 million
Fixed Assets at 31 March 2016	£76.08 million
Debt Outstanding at 31 March 2016	Nil
Revenue Reserve for Capital Schemes at 31 March 2016	£6.58 million

- 2.2 The [Medium Term Financial Strategy](#) (MTFS) together with the Council's strategic priorities and objectives along with the established criteria used to guide the inclusion of capital plan schemes 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 2016/17 and subsequent

Capital Plan reviews. The MTF5 is updated at least once a year and the latest version is published on the Council's website.

- 2.3 Capital receipts derived from the sale of capital assets (generally land and buildings) can be used to repay debt or used as a source of finance for new capital expenditure. The Council's assets are reviewed on a regular basis to identify the potential for alternative use or disposal.
- 2.4 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. Nevertheless, the Council will continue to investigate and exploit external funding opportunities.
- 2.5 Capital expenditure is currently funded from the revenue reserve for capital schemes (RRCS) grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.
- 2.6 All government support for the Council's capital expenditure is by way of capital grant. Government support through capital grants is usually ring-fenced for specific purposes. It is the Council's intention to try to secure capital grants, wherever possible, for schemes which advance the Council's strategic priorities and objectives.
- 2.7 It is important to ensure that the RRCS 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.
- 2.8 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.

3 Legislative Framework and its associated regulations

- 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 requires that the CIPFA Treasury Management Code of Practice is adopted and that a number of prudential indicators are set. Council adopted the December 2009 edition of the Code on 18 February 2010 and due

regard has also been given to subsequent revisions in preparing the Treasury Management and Annual Investment Strategy for 2017/18.

- 3.3 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 Strategic Priorities

- 4.1 Capital plan schemes should emerge from, or be designed to achieve, the Council's strategic priorities and objectives set out in overview in the recently updated [Corporate Strategy](#). The Strategy sets out Our Vision and Our Values guided by the following core values:
- Taking a business-like approach.
 - Promoting Fairness.
 - Embracing Effective Partnership Working.
 - Valuing our environment and encouraging sustainable growth.
- 4.2 The Corporate Strategy is supported by a wide range of Strategies and Plans where specific improvement projects and initiatives 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.
- 4.3 The Council's capital investment decisions should be in support of its strategic priorities and objectives along with the established criteria used to guide the inclusion of capital plan schemes, and this is an integral part of the evaluation process for each project under consideration. No project should proceed to inclusion within the Capital Plan unless it furthers achievement of the Council's strategic priorities and objectives.

5 Principles Supporting the Capital Strategy

- 5.1 The key principles that underpin the Council's Capital Strategy are:
- 5.2 **Strategic Priorities.** Establishment of a direct relationship with the Council's strategic priorities and objectives, 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 in 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.** The [Procurement 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 in the area.
- 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 opportunities.
- 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 are brought forward by planning conditions or legal agreements on a case by case basis where justified by the application of the statutory tests. These arrangements have brought forward significant contributions to affordable housing, education facilities, children's play, sports pitches, leisure facilities, highway works and transportation services.
- 5.11 The Council has embarked on a new Local Plan for the Borough which will set out development policies and proposals until 2031. The first consultation stage was carried out in October/November 2016 and included a potential development strategy which, in part, was built upon strategic development

options with the capacity to bring forward new infrastructure investment in parallel with planned growth. The programme is for the new Local Plan to be finally adopted by early 2019, following public examination.

- 5.12 As a non-stockholding Housing Authority, the Council has a key role to play in the delivery of the strategic housing function covering policy and enabling, private sector housing, and housing needs. Contained within a number of different strategies the key priorities are to:
- Enable and facilitate the provision of housing across all tenures in order to meet existing and future housing need
 - Prevent and reduce homelessness
 - Support households to live independently in the community
 - Improving conditions across all tenures to achieve safe, warm and healthy homes ensuring good health and wellbeing for our communities.
- 5.13 **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. An updated Asset Management Plan covering the period 2015-2020 is currently being prepared.
- 5.14 **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.
- 5.15 **Value for Money.** Each year the Council's external auditor gives an opinion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. 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 **Investment in IT** in order to improve efficiency and economy and to meet customer aspirations for self service, particularly via the website; and to enable more flexible and different ways of working to be adopted to support and assist delivery of the Savings and Transformation Strategy.

6 Partnerships

- 6.1 **The Tonbridge and Malling Local Strategic Partnership.** The [Local Strategic Partnership](#) 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.
- 6.2 **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 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.

- 6.3 **Transportation Partnerships.** The Borough Council has consistently sought to influence the quality of transportation services in its area and increase investment in them by the relevant authorities. These authorities include the local highway authority, (Kent County Council), the strategic road network agency (Highways England), railway operators and Government Departments.
- 6.4 **The Joint Transportation Board,** comprising Members from the Borough and County Councils, provides an overseeing function for the co-ordination of transport investment in the Borough. This ranges from regular reviews of minor improvements, highway maintenance programmes and parking reviews to major investment through key strategies.
- 6.5 The Borough Council's **Rail Manifesto** sets out clearly the service expectations that the Council has for rail services for the Borough. The Manifesto is kept under constant review to reflect the changing demand for rail travel in communities across the Borough.
- 6.6 **Local Enterprise Partnership (LEP).** The South East Local Enterprise Partnership (SELEP) seeks to promote economic growth across Essex, Kent and East Sussex. Given its size, a federated model of operation has been adopted and the Kent and Medway Economic Partnership (KMEP) is the local body which covers Tonbridge and Malling. A key role for both organisations is to bid for Local Growth Fund monies to fund local projects which support our local economy.
- 6.7 **Other Partnerships.** The Council is also part of a partnership that has promoted a bid to the Local Growth Fund to bring forward the much needed improvement to the Leigh Flood Storage area. This is a strategic infrastructure investment required to safeguard many residential and business properties in the southern part of the Borough and to enable future growth and new development to take place.
- 6.8 **Community Regeneration Partnership.** The Council has entered into partnerships which have made a genuine difference to the local community with clear and tangible outcomes.
- 6.9 **The Community Safety Partnership (CSP).** The Crime and Disorder Act 1998 placed an obligation on local authorities and the Police (amongst others) to work together to develop and implement a strategy to tackle crime and disorder in their area. The Tonbridge and Malling CSP vision is: working together to ensure the safety and security of Tonbridge and Malling's residents, businesses and visitors.
- 6.10 **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 number of key sites are

allocated that have potential to deliver town centre and mixed use development that can generate increased vitality into the town centre and the High Street in particular.

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.
- 7.3 As schemes come forward they are stored in a list of schemes (List C) for consideration and possible evaluation. These schemes should emerge from, or be designed to achieve, the Council's strategic priorities and objectives along with a set of criteria used 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; and reduce revenue expenditure and or generate income. 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 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 value for money 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.

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