

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

06 January 2021

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2020/21

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.**
- **Presents an updated Capital Strategy for endorsement.**

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.

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 are aware of the financial challenge faced by the Council and in particular more recently as a result of the Covid-19 pandemic and consequent adverse impact on the Council's finances and reserve balances.
- 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) and recurring capital expenditure. The annual contribution is currently planned to match the funding required for the replacement of existing assets and recurring capital expenditure in 2021/22.
- 1.2.4 There remains an annual capital allowance for all other capital expenditure not least in light of the current economic climate and challenging financial outlook. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. The annual capital allowance is currently set at £250,000 and it is proposed that the annual allowance continue to be set at that level.
- 1.2.5 It should be noted, based on current projections, that from 2027/28 the Council may need to borrow to fund such expenditure. This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.
- 1.2.6 In addition, the Invest to Save Reserve or Transformation Reserve (made up of specific grants received from government in respect of revenues and benefits functions) amongst other Reserves could be used to fund in full or in part appropriate 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.
- Consideration of those List C schemes which have been evaluated.

1.3.3 The Overview and Scrutiny Committee on 19 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 23 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 or more of the three criteria detailed at paragraph 1.1.2.

1.4 Review of the Existing Capital Plan (List A)

1.4.1 Attached at **[Annex 1]** is the existing Capital Plan (List A) in budget book format along with explanatory notes. The following routine adjustments to the 2020/21 Budget Book have been made:

- the outturn for 2019/20 has been taken into account and any slippage still required has been included in 2020/21;
- schemes included in the existing Budget Book which were completed in 2019/20 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2026/27, 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 1.4.13 detail specific amendments to the Capital Plan (List A) approved by Council in February 2020.
- 1.4.3 As indicated in the Disabled Facility Grant update report to CHAB in November 2020, the Council received its anticipated Better Care Fund allocation for 2020/21 of £1.026m. A proportion of this grant has been allocated to revenue to fund the Hospital Discharge and Handyperson schemes in 2020/21 and 2021/22 and the One You Your Home scheme in 2020/21. The Covid-19 pandemic has impacted on the delivery of adaptations negating the need for the Council's planned £125,000 contribution to Disabled Facility Adaptations in 2020/21 (CP3).
- 1.4.4 Council in October 2020 approved an increase in the capital plan budget for adaptation works to properties purchased for temporary accommodation purposes of £157,000 taking the budget from £642,000 to £799,000 (CP5).
- 1.4.5 Council approved the sum of £40,000 be added to the Capital Plan to purchase a ground floor office/commercial unit in Tonbridge High Street funded from the Homelessness Reserve and Homelessness Reduction Initiatives budget (CP5).
- 1.4.6 The Larkfield Leisure Centre Ventilation, Boiler and Pool Hall Roof scheme was completed in June 2020. Capital expenditure exceeded budget provision by £199,000 attributed to unexpected costs arising from the discovery of asbestos and erosion to the steelwork supporting the roof. The main air-handling unit for the ventilation system was also replaced rather than refurbished. These additional costs are offset in full by a reduction in lost income claimed by the Leisure Trust. The combined revenue and capital budget for the scheme of £3.517m was underspent by £332,000 (CP10).
- 1.4.7 A scheme to refurbish pathways at Leybourne Lakes Country Park was approved by Council in February 2020. The £60,000 estimated cost of the scheme was due to be funded in full from external grants and developer contributions. No funding has been identified. The scheme is retained on List A for health and safety reasons (CP14).
- 1.4.8 Cabinet followed by Council in October 2020 approved the sum of £741,000 be added to the Capital Plan to build a purpose built lakeside facility at Leybourne Lakes Country Park funded in full from developer contributions (CP14).
- 1.4.9 The unspent balance of funding approved for the Council Chamber and Committee Room projection equipment was to be used to upgrade similar equipment in the Council's other meeting rooms. This is no longer being progressed in light of the current accommodation review. Budget reduced by £27,000 (CP21).

- 1.4.10 The Revenue and Benefits IT Digital Solution has largely been addressed through revenue funded initiatives. Budget reduced by £45,000 (CP21).
- 1.4.11 Cabinet followed by Council in October 2020 approved the sum of £17,000 be added to the Capital Plan in respect of a Council-wide document management solution funded from the Invest to Save Reserve (CP21).
- 1.4.12 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 2020/21 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 £751,000 per annum (2020/21 - 2026/27) compared to £813,000 per annum (2019/20 - 2025/26). A reduction of £62,000 per annum.
- 1.4.13 Provision for recurring expenditure has also been extended by a further year (see table below). The disabled facility grant provision reduced following a review of both spend and grant funding in recent years.

Capital Plan (List A) recurring expenditure		
	2026/27 £'000	Annex 1 Page
Planning, Housing and Environmental Health		
Housing disabled facilities grants (net)	54	CP 3
Housing assistance (net)	30	CP 3
Street Scene, Leisure and Technical Services		
Recycling waste bins growth / replacement	31	CP 10
Refuse bins growth / replacement	61	CP 10
Garden waste bin replacement	37	CP 10
Improvements to existing car parks rolling programme	30	CP 16
Corporate		
General IT developments	30	CP 21
Total	273	

- 1.4.14 A number of other, less substantive, adjustments to scheme budget provisions have been made. Any budget amendments have been highlighted in bold italics in the detailed scheme notes in **[Annex 1]**.
- 1.4.15 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 1]**.

1.5 List C Update

- 1.5.1 As a result of the challenging financial outlook the focus has to be on what are seen as priority capital plan schemes or where there is potential for external funding.
- 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 2]**. 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 2 Page
Schemes to be added to List C	
Street Scene, Leisure and Technical Services	
Larkfield Leisure Centre – Sports Hall Roof Renewable Energy Technology	CP 26
Swanmead Sportsground – Flood Alleviation Works	CP 33
Corporate Services	
Electric / Hybrid Pool Car	CP 34

- 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.
- 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.
- 1.6.3 The schedule of List C schemes in **[Annex 2]** indicates the schemes which have been recommended for evaluation coming out of this Capital Plan Review including where recommended for Fast-Track evaluation and summarised in the table below. On this occasion, three schemes have been recommended for evaluation including one for Fast-Track evaluation.
- 1.6.4 In addition, there are three schemes selected for evaluation in a previous Review that are either on hold following evaluation, subject to further evaluation or yet to be evaluated as follows: Tonbridge Farm Sportsground – Provision of Toilets,

Tonbridge Racecourse Sportsground – Improvement Works Phase 3 and River Medway – Riverside Environmental Improvements, Tonbridge.

Schemes selected for evaluation from List C	
	Annex 2 Page
Street Scene, Leisure and Technical Services	
Larkfield Leisure Centre – Sports Hall Roof Renewable Energy Technology	CP 26
Tonbridge Castle – Site Improvements	CP 31
Corporate Services	
Electric / Hybrid Pool Car (Fast-Track)	CP 34

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

1.7 Evaluation of List C Schemes

1.7.1 As part of the 2019/20 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 3]** where only the scheme recommended for Fast-Track evaluation has been evaluated as part of this year's capital plan review process.

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 scheme are summarised below. For information, indicative, estimated annual revenue costs (income) are also shown. The amount and timing of the revenue impact depends on the profiling of the capital expenditure and where appropriate 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 3 Page
	£'000	£'000	
Corporate Services			
Electric / Hybrid Pool Car	24	5	CP 35
Total	24	5	

- 1.7.4 The estimated capital cost to be met from the annual capital allowance of £250,000.
- 1.7.5 Members are reminded that evaluated schemes can be recommended for inclusion on List B, retention on List C, 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 scheme shown in paragraph 1.7.3 from List C to List B.

1.8 Capital Strategy

- 1.8.1 The requirements of the 2017 edition of both the Treasury Management and Prudential Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA) have been taken into account and reflected as appropriate in the annual review and update of the Capital Strategy attached at **[Annex 4]**. 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.
- 1.8.2 CIPFA – “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.”
- 1.8.3 It is **RECOMMENDED** that Cabinet be invited to endorse the Capital Strategy as attached at **[Annex 4]** 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 supporting the achievement of the Council's strategic priorities and 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 strategic priorities and 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 Recommendations

1.13.1 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 1]**.

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 the schemes listed in paragraph 1.6.4 for evaluation including the scheme recommended for Fast-Track evaluation.

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

1.13.5 It is **RECOMMENDED** that Cabinet be invited to endorse the Capital Strategy as attached at **[Annex 4]** for adoption by Council and publication on the Council's website.

Background papers:

Nil

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