

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

12 January 2022

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2021/22

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.**

Members are reminded however, that any aspirations in respect of capital schemes need to be set within the context of the difficult and challenging financial outlook.

Dashboard / Key Points

- **Capital Plan is built on a “ladder” style basis:**
- **At the top – List A – sits the schemes that have received approval and have funding assigned (including the replacement of existing assets)**
- **List B - schemes have received in principle support but are awaiting funding to be assigned at an appropriate time**
- **List C is a list of potential schemes that have been identified for possible future adoption**
- **Funding can be found from the Capital Reserve (for which the annual capital allowance is £250,000); S106 sums (developer contributions); or external grants**
- **This year’s recommendations for schemes to be moved to the top of the ladder – List A – can be met from the capital allowance and/or other funding sources**

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 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.

1.2.2 There is also an annual contribution to the revenue reserve for capital schemes to match the funding required for the replacement of existing assets (vehicles, plant and equipment) and recurring capital expenditure. The contribution in 2022/23 is £908,000.

1.2.3 There remains an annual capital allowance for all other capital expenditure not least in light of the difficult 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.

1.2.4 It should be noted, based on current projections, that from 2028/29 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.

1.2.5 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 18 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 10 February. Cabinet on 10 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 22 February will consider recommendations from Cabinet.

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 2021/22 Budget Book have been made:

- the outturn for 2020/21 has been taken into account and any slippage still required has been included in 2021/22;
- schemes included in the existing Budget Book which were completed in 2020/21 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2027/28, 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 1.4.12 detail specific amendments to the Capital Plan (List A) approved by Council in February 2021.

1.4.3 Following confirmation of the Better Care Fund allocation for 2021/22 in respect of Disabled Facility Adaptations the opportunity has been taken to review the spend and funding profile over the forthcoming capital plan review period. The outcome of the review is the planned contribution from the Council's own resources of £125,000 in 2021/22 and £54,000 in subsequent years is not required.

1.4.4 The annual General IT developments budget of £30,000 is to be removed following the migration to cloud based services and the costs treated as revenue expenditure.

1.4.5 Council in April 2021 approved an increase in the capital plan budget for the new lakeside facility at Leybourne Lakes Country Park from £741,000 to £774,000 with the increase of £33,000 funded from developer contributions; and in October 2021 approved that the budget be further increased to £880,000 with the increase of £106,000 funded from developer contributions (£42,000) and the Climate Change Reserve (£64,000). Southern Water have since advised of the cost of a booster pump and tank in the sum of £10,470, in addition two new containers are to be purchased at an estimated cost of £12,000 increasing the budget to £902,000 with the increase of £22,000 funded by way of a virement from the LLCP path improvement works capital plan scheme (£8,000) and developer contributions (£14,000).

1.4.6 Council in July 2021 approved the sum of £120,000 be added to the Capital Plan for the installation of electric vehicle charging points in Council car parks across the borough. Of this sum, £80,000 is to be funded by government grants and the

supplier and the balance of £40,000 from the Business Rates Retention Scheme Reserve.

- 1.4.7 Council in October 2021 approved an increase in the capital plan budget for adaptation works to properties purchased for temporary accommodation purposes from £2,757,000 to £3,225,000. Of this sum £931,000 is to be funded from developer contributions and £2,294,000 is to be met from the Council's own resources.
- 1.4.8 As reported to Cabinet on 2 June 2021, under emergency powers the Leader of the Council authorised works in the sum of £28,000 to facilitate the permanent live streaming of in-person Council meetings following the end of legislation allowing meetings to be held remotely. The cost to be funded from the General Revenue Reserve.
- 1.4.9 The Leader of the Council and Chairman of Overview and Scrutiny Committee under urgency provisions agreed that officers progress the potential purchase of the freehold of 47 High Street, Tonbridge and that appropriate budget provision be established for this purpose and the Capital Plan amended accordingly. The capital plan evaluation for the proposed purchase of the freehold can be found at Appendix 1 to Annex 1 (page CP 25). Given that at the time of writing the completion has not yet taken place and therefore it is still commercially sensitive, Members will find Appendix 1 in Part 2 of the agenda. An urgent decision was required in order not to lose an opportunity considered to be in the interest of the Council to secure the freehold of the property as set out in the evaluation.
- 1.4.10 An agreement was reached with Tonbridge and Malling Leisure Trust whereby the Council paid a capital grant of £35,300 in lieu of a capital renewals provision and the transfer of responsibility for all telephony hardware and systems and its replacement to the Trust. A similar approach has been adopted in respect of IT equipment sited at Leybourne Lakes Country Park in the sum of £2,434.
- 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 2021/22 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 £808,000 per annum (2021/22 - 2027/28).
- 1.4.12 Provision for recurring expenditure has also been extended by a further year (see table below) and in the case of disabled facilities grants and general IT developments no longer required.

| Capital Plan (List A) recurring expenditure | | |
|--|--------------------------|-------------------------|
| | 2027/28 £'000 | Annex 1 Page |
| Planning, Housing and Environmental Health | | |
| Housing disabled facilities grants (net) | 0 | CP 4 |

| | | |
|--|------------|-------|
| Housing assistance (net) | 30 | CP 4 |
| 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 | 0 | CP 21 |
| Total | 189 | |

1.4.13 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 1]** and note the addition of the proposed purchase of the freehold of 47 High Street, Tonbridge to the Capital Plan under urgency provisions (paragraph 1.4.9 refers).

1.5 List C Update

1.5.1 As a result of the difficult and 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 | |
| Planning, Housing & Environmental Health Services | |
| Environmental Health – Air Quality Monitor | CP 29 |

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 two for Fast-Track evaluation.
- 1.6.4 In addition, there are five 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: Larkfield Leisure Centre – Sports Hall Roof Renewable Energy Technology, Tonbridge Farm Sportsground – Provision of Toilets, Tonbridge Racecourse Sportsground – Improvement Works Phase 3, Tonbridge Castle – Site Improvements and River Medway – Riverside Environmental Improvements, Tonbridge.

| Schemes selected for evaluation from List C | |
|--|-------------------------|
| | Annex 2 Page |
| Planning, Housing & Environmental Health Services | |
| Environmental Health – Air Quality Monitor (Fast-Track) | CP 29 |
| Street Scene, Leisure and Technical Services | |
| Sports Grounds – Tonbridge Farm Sportsground Improvements (Fast-Track) | CP 33 |
| Open Spaces – Taddington Valley Woodland Management | 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 two schemes recommended for Fast-Track evaluation.

1.7 Evaluation of List C Schemes

- 1.7.1 As part of the 2020/21 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]** 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 (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 | |
| Planning, Housing & Environmental Health | | | |
| Air Quality Monitor | 10 | 3 | CP 38 |
| Street Scene, Leisure and Technical Services | | | |
| Tonbridge Farm Sportsground Improvements | 40 | 3 | CP 41 |
| Total | 50 | 6 | |

1.7.4 The estimated capital cost of the Air Quality Monitor is to be met from the annual capital allowance of £250,000 and the estimated capital cost of the Tonbridge Farm Sportsground Improvements to be funded in full by developer contributions.

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 10 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 two schemes shown in paragraph 1.7.3 from List C to List B.

1.8 Capital Strategy

1.8.1 Updates to both the Prudential Code and Treasury Management Code were published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021 and uphold a key principle that borrowing primarily for return on investment is not permissible.

- 1.8.2 The requirements of both the Treasury Management and Prudential Codes of Practice published by 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.
- 1.8.3 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.”
- 1.8.4 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 10 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]** and note the addition of the proposed purchase of the freehold of 47 High Street, Tonbridge to the Capital Plan under urgency provisions (paragraph 1.4.9 refers).

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 two schemes recommended for Fast-Track evaluation.

1.13.4 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the two schemes 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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