

TONBRIDGE & MALLING BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

25 January 2024

**Joint Report of the Director of Finance and Transformation and
Cabinet Member for Finance and Housing**

Part 1- Public

Matters for Recommendation to Cabinet

1 CAPITAL PLAN REVIEW 2023/24

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 usual annual capital allowance is £250,000); Earmarked Reserves; 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, and climate change 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 Following the changes to governance arrangements early in 2022, the Cabinet now works alongside officers to prepare the draft capital plan. Accordingly, this report is now a joint report of the Director of Finance and Transformation and the Cabinet Member for Finance and Housing.

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 2024/25 is £1,065,000.
- 1.2.3 There remains 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. The annual capital allowance is currently set at £250,000. However, at its meeting on 5 December following receipt of a VAT 'windfall', Cabinet recommended to Full Council that a further £750,000 be added to the revenue reserve for capital schemes in 2023/24 for use in later years to

allow additional approved schemes to proceed. It is proposed that the capital allowance will go back to its £250,000 in due course.

- 1.2.4 It should be noted, based on current projections, that from 2029/30 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, other earmarked Reserves can, and are, 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 in a 'ladder' style:
- 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 Committee 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 Cabinet on 13 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 20 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 2022/23 Budget Book have been made:

- the outturn for 2022/23 has been taken into account and any slippage still required has been included in 2023/24;
- schemes included in the existing Budget Book which were completed in 2022/23 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2029/30, 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 1.4.5 detail specific amendments to the Capital Plan (List A) approved by Council in February 2023.

1.4.3 The Cabinet Member for Finance, Innovation and Property approved the sum of £58,000 be added to the Capital Plan in respect of a General Data Protection Regulation cashiering software implementation (SmartPay 6). Cabinet Member Decision D230025MEM dated 22 March 2023. This is funded from the earmarked Transformation Reserve.

1.4.4 A number of other Rural England Prosperity Fund projects / initiatives covering the two year period 2023/24 to 2024/25 have also been added to the Capital Plan as follows:

- Investment in Micro & Small Enterprises £125,000
- Development and Promotion of Visitor Economy £89,000
- Creation and Improvements to Local Green Spaces £67,000
- Existing Cultural, Historic & Heritage Institutions £77,000
- Active Travel Enhancement in the Local Area £67,000
- Rural Circular Economy Projects £22,000

- 1.4.5 A total sum of £447,000 is to be wholly funded from Rural England Prosperity Fund grant monies. Further details can be found in the report to Cabinet on 8 November 2022.
- 1.4.6 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 2023/24 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 £1.092m per annum (2023/24 – 2029/30).
- 1.4.7 Provision for recurring expenditure has also been extended by a further year (see table below).

Capital Plan (List A) recurring expenditure		
	2029/30 £'000	Annex 1 Page
Planning, Housing and Environmental Health		
Housing assistance (net)	30	CP 4
Street Scene, Leisure and Technical Services		
Recycling waste bins growth / replacement	31	CP 9
Refuse bins growth / replacement	61	CP 9
Garden waste bins growth / replacement	37	CP 9
Improvements to existing car parks rolling programme	30	CP 15
Total	189	

- 1.4.8 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 difficult and challenging financial outlook beyond 2024/25 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	
Food Waste Collections – Communal Properties	CP 30
Larkfield Leisure Centre – Wetside Changing Room Refurbishment	CP 31
Lower Castle Fields Car Park – Bridge Works	CP 32
Haysden Country Park – Bridge Works	CP 33
Bailey Bridge East – Car Park Improvements	CP 34
Upper Castle Field – Car Park Extension	CP 35
Introduction of Automatic Number Plate Recognition (ANPR)	CP 36
Car Parking Amendments – On Street Parking	CP 37
Tonbridge School Athletics Facility – Replacement Athletics Track	CP 38
Corporate Services	
Angel Centre - Replacement Boilers	CP 39
Larkfield Leisure Centre - Installation of Air Source Heat Pumps	CP 40
Schemes to be deleted from List C	
Street Scene, Leisure and Technical Services	
Angel Centre Facility Refurbishment – Project is being considered as part of the broader Council’s town centre assets.	
Tonbridge Farm Sportsground Provision of Toilets – Toilet provision is available from the onsite café.	

1.5.4 It is **RECOMMENDED** that Cabinet be asked to amend List C as detailed in paragraph 1.5.2.

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, four schemes have been recommended for Fast-Track evaluation.
- 1.6.4 In addition, there are two schemes selected for evaluation in a previous Review that are yet to be evaluated / subject to further evaluation as follows: 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	
Food Waste Collections – Communal Properties (fast track)	CP 30
Larkfield Leisure Centre – Wetside Changing Room Refurbishment (fast track)	CP 31
Lower Castle Fields Car Park – Bridge Works	CP 32
Haysden Country Park – Bridge Works	CP 33
Bailey Bridge East – Car Park Improvements	CP 34
Upper Castle Field – Car Park Extension	CP 35
Introduction of Automatic Number Plate Recognition (ANPR)	CP 36
Car Parking Amendments – On Street Parking	CP 37
Tonbridge School Athletics Facility – Replacement Athletics Track	CP 38
Corporate Services	
Angel Centre - Replacement Boilers (fast track)	CP 39
Larkfield Leisure Centre - Installation of Air Source Heat Pumps (fast track)	CP 40

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

1.7 Evaluation of List C Schemes

- 1.7.1 As part of the 2022/23 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.

Capital / revenue consequences of evaluated schemes			
	Capital Cost	Annual revenue / renewals cost	Annex 3 Page
	£'000	£'000	
Street Scene, Leisure and Technical Services			
Food Waste Collections – Communal Properties	30	2	CP 41
Larkfield Leisure Centre – Wetside Changing Room Refurbishment	150	13	CP 33
Corporate Services			
Angel Centre - Replacement Boilers	150		CP 46
Larkfield Leisure Centre - Installation of Air Source Heat Pumps	175		CP 49
Total	505	15	

1.7.4 The estimated capital cost of the schemes outlined in 1.7.3 will be met from the Revenue Reserve for Capital Schemes and the Climate Change Reserve.

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.

1.7.6 List B schemes will be considered by Cabinet on 13 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 four 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 13 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 Delay or non-approval of the Angel Centre Boiler Replacement scheme and the subsequent failure of the boiler and closure of the centre would lead to a significant potential loss of income claim, which would exceed the cost of the replacement boilers.
- 1.11.2 The capital scheme proposal for the Installation of Air Sourced Heat Pump at Larkfield Leisure Centre consists of the Council's element of match funding. There is a risk that the funding application to the Public Sector Decarbonisation Scheme (PSDS) could be unsuccessful and further contributions are required from the Council to fulfil this scheme. If this occurs Members will be asked to re-assess the viability of the scheme and consider alternative financing.
- 1.11.3 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.
- 1.11.4 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 1.5.2.
- 1.13.3 It is **RECOMMENDED** that Cabinet be asked to select the schemes listed in paragraph 1.6.4 for evaluation including where recommended for Fast-Track evaluation.
- 1.13.4 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the four 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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