

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

07 January 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 CAPITAL PLAN REVIEW 2014/15

This report reviews the current position of the existing Capital Plan (List A), recommends new schemes for adding to List C and schemes to be deleted from List C, recommends schemes from List C for evaluation and recommends schemes for inclusion on List B from those evaluated schemes selected for evaluation this time last year or earlier. Members are reminded however, that any aspirations in respect of capital schemes need to be set within the context of the significant financial challenge facing the Council.

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| <p>NOTE: ANNEXES 1 to 4 TO THIS REPORT ARE CONTAINED IN A SEPARATE BOOKLET CIRCULATED WITH THE AGENDA</p> |
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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 schemes to List C (wish list) 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 increase income or reduce operating costs. 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 will be aware that the Council continues to face a significant financial challenge as a result of the Coalition Government's budget deficit reduction programme which has resulted in a reduction 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. The revenue reserve for capital schemes provides the main source of funding for existing and any new schemes that are introduced into the Capital Plan.
- 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. The annual allowance is set at £320,000. It should be noted, based on current projections, that from 2018/19 the Council will need to borrow to fund such expenditure.

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 no longer required.
- The selection of schemes from List C which are considered suitable for evaluation over the following year.
- Consideration of those List C schemes which have been evaluated.

1.3.3 The Overview and Scrutiny Committee on 27 January will also consider the overall Capital Plan position and make recommendations as appropriate to Cabinet on 12 February. Cabinet on 12 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 17 February will consider recommendations from Cabinet.

1.3.4 Throughout the review process it is essential to remember that Capital Plan schemes should emerge from, or be designed to achieve, the Council's Key Priorities and Improvement Actions. Annexes 2, 3 & 4 contain references to the Council's Key Priorities and Improvement Actions and the key to these appears in **[Annex 1]**.

1.4 Review of the Existing Capital Plan (List A)

1.4.1 Attached at **[Annex 2]** is the existing Capital Plan (List A) in budget book format along with explanatory notes. The following routine adjustments to the 2014/15 Budget Book have been made:

- the outturn for 2013/14 has been taken into account and any slippage still required has been included in 2014/15;
- schemes included in the existing Budget Book which were completed in 2013/14 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2020/21, 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 2014.

1.4.3 A report detailing the use of the urgency procedure to create a new Capital Plan scheme was submitted to the June 2014 meeting of Overview and Scrutiny Committee. The scheme, funded in full by Government, has enabled the Council

to comply with the requirement to introduce individual electoral registration from June 2014.

- 1.4.4 Members at the September 2013 meeting of Overview and Scrutiny Committee recommended the introduction of a Capital Plan scheme to enable committee agendas to be viewed electronically during meetings using tablet computers. The initial scheme to provide tablet computers for Members and Chief Officers has proved a success. Management Team, under delegated authority, approved a virement of £11,000 to enable the scheme to be expanded so that officers attending meetings can view agendas electronically.
- 1.4.5 The Government announced a number of schemes to support businesses and home owners recover from the impact of the recent flooding. The Repair and Renew Grant scheme is deemed capital expenditure and appears within the Corporate Services section of the Capital Plan.
- 1.4.6 The Council following a successful bid has secured a grant of £150,000 to stabilise a section of the river bank at Tonbridge Castle by replacing an existing failing timber revetment with steel sheet piling.
- 1.4.7 A grant of £9,000 has been provided by KCC to fund measures under KCC's winter warmth programme (Keep Warm, Keep Well). The scheme aims to reduce the risk of ill health through improving the safety and warmth of the home for vulnerable people meeting agreed health criteria.
- 1.4.8 Games Kiosk – this project looked at the potential of extending the existing Games Kiosk at the Racecourse Sportsground to provide additional catering facilities. The impact of the recent floods has led us to believe that this would not be an appropriate location for such a development and as a result the scheme is to be deleted from the Capital Plan. Alternative ways of extending the catering offer on site are, therefore, being considered including the enhancement of mobile catering services similar to those provided at the Council's country parks.
- 1.4.9 Extension of Car Park – this project saw the transfer of the car park adjacent to the Tonbridge Juddians Rugby Club to the Council followed by a programme of improvements. Unfortunately the negotiations with the existing landowner have proven to be unsuccessful and the project is, therefore, unable to proceed and as a result the scheme is to be deleted from the Capital Plan. The existing Lower Castle Field car park will continue to be operated on its current basis.
- 1.4.10 Improvements to the Tonbridge Memorial Garden to mark the centennial commemorations are now complete. The gross scheme budget has been increased by £50,000 primarily to cover the cost of additional stonework. Total scheme costs of £300,000 have been met in full by developer contributions / grant support and fund raising by the Memorial Garden Trust.
- 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. Figures

included in 2015/16 and subsequent years incorporate provision for inflation (typically an uplift of 2% per annum) and the tendency to underspend against budget is mitigated by a savings target. A savings target of 20% has been assumed in each year of the Plan. Average renewals spend over the seven-year period of the plan is now £823,000 per annum (2014/15 – 2020/21) compared to £829,000 per annum (2013/14 – 2019/20).

- 1.4.12 The process by which our capital renewals provisions are determined is the subject of a review by Overview and Scrutiny Committee. The interim report to the Committee anticipated that the savings target referred to above could be eliminated (and potentially enhanced) by increasing the estimated useful life attributed to each asset. Renewals provisions in respect of CCTV and recycling bank replacements have already been amended and budget reductions of £30,000 per annum in respect of CCTV replacements and £10,000 per annum for recycling bank replacements have been reflected in the Capital Plan. It is anticipated that further limited savings in respect of other assets will be identified from the Overview and Scrutiny Committee review.
- 1.4.13 Provision for recurring expenditure has also been extended by a further year (see table below). The grant allocation in respect of Housing disabled facilities grants (DFGs) for 2015/16 is £490,000, an increase of £66,000. The budgeted spend on DFGs has been increased by £40,000 to £665,000 producing a net saving of £26,000.

| Capital Plan (List A) recurring expenditure | | |
|--|--------------------------|-------------------------|
| | 2020/21 £'000 | Annex 2 Page |
| Planning, Housing and Environmental Health | | |
| Improvements to existing car parks rolling programme | 30 | CP 14 |
| Housing disabled facilities grants (net) | 175 | CP 18 |
| Housing assistance (net) | 60 | CP 18 |
| Street Scene and Leisure | | |
| Green waste bins growth / replacement | 52 | CP 24 |
| Refuse bins growth / replacement | 52 | CP 24 |
| Leisure community group funding | 8 | CP 30 |
| Corporate | | |
| General IT developments | 30 | CP 36 |
| Total | 407 | |

- 1.4.14 A number of other minor adjustments to scheme budget provisions have been made. Any budget amendments have been highlighted in bold in the detailed scheme notes in **[Annex 2]**.

1.4.15 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.

1.5 Selection of New List C Schemes

1.5.1 An updated schedule of List C schemes is attached at **[Annex 3]**. Since the January 2014 meeting of this Advisory Board schemes which have been approved for implementation and now appear in the Capital Plan (List A) have been removed from List C. The updated schedule includes schemes which are recommended to be added to List C and schemes to be deleted from List C. To assist Members a summary of the proposals is detailed in the table below.

| List C additions and deletions | |
|---|-------------------------|
| | Annex 3 Page |
| Schemes to be added to List C | |
| Street Scene and Leisure | |
| Country Parks: Installation of Automatic Bollards | CP 52 |
| Corporate | |
| IT Initiatives: Revenues and Benefits Document Management | CP 53 |
| IT Initiatives: Revenues and Benefits Citizen's Access | CP 54 |
| Schemes to be deleted from List C | |
| Corporate | |
| IT Initiatives: Public Access to Online Personal Data | CP 53 |

1.5.2 It is **RECOMMENDED** that Cabinet be asked to:

- 1) Amend List C as detailed in paragraph 1.5.1.

1.6 Selection of List C Schemes for Evaluation

1.6.1 At this meeting, Members have the opportunity to recommend schemes for evaluation over the coming year.

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. The recommendations of schemes for evaluation have taken into account this balance. The selection of different schemes for evaluation may upset this balance.

1.6.3 The schedule of List C schemes in **[Annex 3]** indicates the schemes which have been recommended for evaluation including one recommended for Fast-Track evaluation. To assist Members, the table below summarises the schemes that

have been recommended for evaluation coming out of this Capital Plan Review. If the recommendations are accepted the evaluations, other than the one recommended for Fast-Track evaluation, will be reported to this Board in January 2016, together with three schemes selected for evaluation in a previous Review: Tonbridge Farm Sportsground Provision of Toilets, Leybourne Lakes Country Park Facility Improvements and Tonbridge to Penshurst Cycle Route Refurbishment.

| Schemes selected for evaluation from List C | |
|--|-------------------------|
| | Annex 3 Page |
| Street Scene and Leisure | |
| Country Parks: Installation of Automatic Bollards | CP 52 |
| Corporate | |
| IT Initiatives: Revenues and Benefits Document Management (Fast-Track) | CP 53 |
| IT Initiatives: Revenues and Benefits Citizen's Access | CP 54 |

1.6.4 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation including one for Fast-Track evaluation.

1.7 Evaluation of List C Schemes

1.7.1 As part of the 2013/14 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 4]** including the scheme 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 A report to the Planning and Transportation Advisory Board on 18 November 2014 advised Members on progress and provided an updated programme for the implementation of the Tonbridge Town Lock scheme where a funding shortfall in the order of £100,000 was identified. It is suggested that the shortfall be met from a pending developer contribution and in the interim from the Council's own resources.

1.7.4 The Tonbridge School Athletics Track Improvements will be progressed on a partnership basis between the School and the Council. It is hoped that the majority, if not all, of the Council's contribution can be met from developer contributions / external grant sources. The School has indicated that the works should be progressed in 2018/19.

- 1.7.5 The refurbishment of the Health Suite at Larkfield Leisure Centre is included in the Capital Plan in the current financial year and the associated budget provision is £240,000. However, the tenders received following a competitive tendering exercise were above the pre-tender estimate and, in turn, the current budget provision. As a result the scheme has been revisited in conjunction with the Tonbridge and Malling Leisure Trust. The original Capital Plan evaluation for the project recognised the current condition of the Health Suite to be extremely poor. A fact also recognised by Members on a tour of the facilities. The favoured option is a revised specification for the area and the scheme re-tendered with a total estimated project cost of £300,000. An increase in the capital cost and budget provision of £60,000.
- 1.7.6 Details of the evaluated schemes are summarised below. For information, indicative, estimated annual revenue costs (savings) are also shown. The amount and timing of the revenue impact depends on the profiling of the capital expenditure and the timing of any changes in activity levels which generate changes to running costs or income.

| Capital / revenue consequences of evaluated schemes | | | |
|--|---------------------|---|---------------------|
| | Capital Cost | Estimated annual revenue / renewals cost | Annex 4 Page |
| | £'000 | £'000 | |
| Planning, Housing and Environmental Health | | | |
| Car Parking Action Plan Phase 9 | 20 | 1 | CP 55 |
| Tonbridge Town Lock | 100 | | N/A |
| Street Scene and Leisure | | | |
| LLC Installation of UV Pool Disinfectant Plant | 150 | 11 | CP 56 |
| Tonbridge School Athletics Track Improvements | 150 | | CP 59 |
| LLC Health Suite Refurbishment | 60 | 3 | N/A |
| Corporate | | | |
| IT Initiatives: Revenues and Benefits Document Management (Fast Track) | 60 | 5 | CP 61 |
| Total | 540 | 20 | |

- 1.7.7 The funding shortfall in respect of the Tonbridge Town Lock scheme; the Tonbridge School Athletics Track Improvements scheme; and the IT Initiatives: Revenues and Benefits Document Management scheme are expected to be funded from developer contributions / external grant sources. As a result the sum

to be met from the Council's own resources is £230,000 (£540,000 – 310,000) which is within the current annual capital allowance set by Members of £320,000.

- 1.7.8 Members are reminded that evaluated schemes can be recommended for inclusion on List B, retention on List C for further evaluation, 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.
- 1.7.9 List B schemes will be considered by Cabinet on 12 February alongside the revenue estimates. Schemes may be selected for transfer from List B to the Capital Plan (List A) taking into account budget guidelines and the annual allowance.
- 1.7.10 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the schemes listed in paragraph 1.7.6 from List C to List B noting:
- 1) In respect of the Tonbridge Town Lock scheme this is an additional funding requirement of £100,000 to that currently reflected in the Capital Plan to be met from a pending developer contribution and in the interim from the Council's own resources.
 - 2) The Tonbridge School Athletics Track Improvements scheme is expected to be progressed in the year 2018/19 subject to the identification of developer contributions / external grant sources.
 - 3) In respect of the LLC Health Suite Refurbishment scheme this is an additional funding requirement of £60,000 to that currently reflected in the Capital Plan.

1.8 Capital Strategy

- 1.8.1 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.”
- 1.8.2 The updated Capital Strategy attached at **[Annex 5]** has been designed to be published on the Council's website. The Strategy has no annexes but

incorporates 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 The update has followed the policy of evolution, rather than revolution. The Key Financial Statistics in paragraph 2.1 of the annex have been updated to reflect the 2014/15 estimates and the balance sheet as at 31 March 2014. Elsewhere, examples of our current practice have been updated where appropriate. Throughout the annex the type face of any new and or amended text and figures has been presented in bold italics.
- 1.8.4 The Peer Review Challenge reinforced the recognition that future strategies will need to take into account the fact that the main source of funding for new capital plan schemes, the revenue reserve for capital schemes, is expected to be exhausted in 2018/19 at which stage the Council will need to borrow to fund such expenditure.
- 1.8.5 It is **RECOMMENDED** that Cabinet be invited to endorse the Capital Strategy as attached at **[Annex 5]** for adoption by Council and publication on the Council's website.

1.9 Legal Implications

- 1.9.1 None.

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 12 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 meeting the Council's Key Priorities and Improvement Actions, focuses on value for money.

1.11 Risk Assessment

- 1.11.1 Where a scheme is to be funded, in full or in part, from a pending developer contribution and in the interim from the Council's own resources there is a risk of an unbudgeted commitment if that developer contribution is not forthcoming.
- 1.11.2 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.
- 1.11.3 Failure to endorse a satisfactory Capital Strategy may lead to a capital programme which does not fully support the Council's Key Priorities and Improvement Actions.

1.12 Equality Impact Assessment

1.12.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.13 Summary of Recommendations

1.13.1 It is **RECOMMENDED** that Cabinet be asked to endorse the Capital Plan (List A) position as shown in **[Annex 2]**.

1.13.2 It is **RECOMMENDED** that Cabinet be asked to amend List C as detailed in paragraph 1.5.1.

1.13.3 It is **RECOMMENDED** that Cabinet be asked to select those schemes listed in paragraph 1.6.3 for evaluation including one for Fast-Track evaluation.

1.13.4 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the schemes listed in paragraph 1.7.6 from List C to List B noting:

- 1) In respect of the Tonbridge Town Lock scheme this is an additional funding requirement of £100,000 to that currently reflected in the Capital Plan to be met from a pending developer contribution and in the interim from the Council's own resources.
- 2) The Tonbridge School Athletics Track Improvements scheme is expected to be progressed in the year 2018/19 subject to the identification of developer contributions / external grant sources.
- 3) In respect of the LLC Health Suite Refurbishment scheme this is an additional funding requirement of £60,000 to that currently reflected in the Capital Plan.

1.13.5 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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