

## Overview and Scrutiny Committee

23 January 2025

### Part 1 - Public

#### Recommendation to Cabinet



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#### Capital Plan Review 2024/25

### 1 Summary and Purpose of Report

1.1 This report gives details of the proposed Capital Plan for the remainder of 2024/25 and 2025/26.

- **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**

### 2 Corporate Strategy Priority Area

2.1 Efficient services for all our residents, maintaining an effective council.

2.2 The Capital Plan shows investment into council assets and infrastructure in order to maintain effective council services.

### 3 Recommendations

- 3.1 Members of this Committee **NOTE** the current Capital Plan (List A) position as shown in **[Annex 1]**.
- 3.2 It is **RECOMMENDED** that Cabinet be asked to amend List C **[Annex 3]** as detailed in paragraph 8.3.
- 3.3 It is **RECOMMENDED** that Cabinet be asked to endorse the transfer of the seven fast-track evaluated schemes **[Annex 4]**, shown in paragraph 9.4 from List C to List B.
- 3.4 It is **RECOMMENDED** that Cabinet be asked to select the remaining seven schemes listed in paragraph 9.4 for evaluating.
- 3.5 It is **RECOMMENDED** that Cabinet be asked to endorse Capital Plan (List B) totalling £4.7m as shown in **[Annex 2]**, and paragraph 11.2, to List A, subject to the remaining finance being identified.
- 3.6 It is **RECOMMENDED** that Cabinet be asked to update the Capital Plan (List A) position as recommended above.
- 3.7 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.

### 4 Introduction and Background

- 4.1 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).
- 4.2 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.
- 4.3 The subsequent recommendations where appropriate have regard to these criteria.
- 4.4 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.

- 4.5 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.

## **5 Capital Plan Funding**

- 5.1 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. In addition, in some circumstances, other earmarked reserves are used to fund in full or in part appropriate capital plan schemes.
- 5.2 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 2025/26 is £1,149,000.
- 5.3 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.
- 5.4 It should be noted, based on current approvals, that from 2029/30 the Council may need to borrow to fund such expenditure. This does not however, preclude a decision to borrow 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.

## **6 Capital Plan Review Process**

- 6.1 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 and approval, 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.

6.2 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 and transferred to List B.

6.3 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 18 February will consider recommendations from Cabinet.

6.4 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 4.2.

## 7 Review of the Existing Capital Plan (List A)

7.1 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 2024/25 Budget Book have been made:

- the outturn for 2023/24 has been taken into account and any slippage still required has been included in 2024/25;
- schemes included in the existing Budget Book which were completed in 2023/24 have been removed;
- in accordance with the policy of having a rolling six year Capital Plan (current year plus six) an additional year, 2030/31, 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.

7.2 Paragraph 7.3 details specific amendments to the Capital Plan (List A) since it was approved by Council in February 2024.

### 7.3 Details of Schemes added in 2024/25

- D240033MEM - Electric vehicle pathway - To bridge the funding gap between the purchase price of combustion engine vehicles and electric vehicles for the purpose of replacing two of the existing Council owned vehicles due for replacement in 2024/25, estimated cost of £27,000, financed from the Climate Change Reserve.
- D240047MEM - Upgrade to Integra Centros Financial Management System - Upgrades to current reporting software and the additional modules requested by Services, estimated cost of £80,500, financed from the Transformation Reserve.
- D240070CAB - De-carbonising & Energy Efficiency Capital Plan – Increased costs associated with Larkfield Decarbonisation works, estimated costs £500,000, partly financed from the Climate Change Reserve.

7.4 In addition to the above, schemes covering the works for Bailey Bridge Car Park, Automated Car Number Plate Recognition (ANPR), Parking Amendments (to be financed from the balance of the additional funds contributed to the Revenue Reserve for Capital Schemes in 2024/25) and the acquisition of Relocation Housing (funded through the Local Authority Housing Fund), were approved by Council in October 2024 and now appear on List A in **[Annex 1]**.

7.5 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 2024/25, 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 £1.156m per annum (2024/25 – 2030/31).

7.6 Included within the plan is a scheme for the renewal of the roof at Tonbridge Castle Offices. Previously Members had approved this scheme to be in the order of £70,000. The estimate was several years old and has now been revised to reflect current building costs, which have significantly increased following Covid. The latest estimate for the works is now £260,000 and the estimates have been increased to reflect this.

- 7.7 Provision for recurring expenditure has also been extended by a further year (see table below).

<b>Capital Plan (List A) recurring expenditure</b>		
	<b>2030/31 £'000</b>	<b>Annex 1 Page</b>
<b>Planning, Housing and Environmental Health</b>		
Housing assistance (net)	30	CP 4
<b>Street Scene, Leisure and Technical Services</b>		
Recycling waste bins growth / replacement	31	CP 10
Refuse bins growth / replacement	61	CP 10
Garden waste bins growth / replacement	37	CP 10
Improvements to existing car parks rolling programme	30	CP 18
<b>Total</b>	<b>189</b>	

## 8 List C Update

- 8.1 As a result of the difficult and challenging financial outlook beyond 2025/26 the focus has to be on what are seen as priority capital plan schemes or where there is potential for external funding.
- 8.2 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 a substantial contribution received by developer contributions, government grant or other external funding opportunities. An updated schedule of List C schemes is attached at **[Annex 3]**. The update includes schemes which are recommended to be added to List C and schemes to be deleted from List C.

8.3 To assist Members a summary of the proposals is detailed in the table below.

<b>List C additions and deletions</b>	
	<b>Annex 3 Page</b>
<b>Schemes to be added to List C</b>	
<b>Street Scene, Leisure and Technical Services</b>	
Tonbridge Racecourse to Lower Castle Fields Car Park Bridge Works	CP 42
Haysden Country Park Shallow Bridge Works	CP 43
Angel Centre Replacement	CP 44
Tonbridge Farm Sportsground Improvements	CP 45
Car Parks LED Lights	CP 46
Tonbridge Cemetery Vaults	CP 47
Installation of Digital CCTV Systems at Council's Leisure Facilities	CP 48
LLCP Resurfacing Access Roads & Paths	CP 49
<b>Schemes to be deleted from List C</b>	
<b>Street Scene, Leisure and Technical Services</b>	
Upper Castle Field Car Park Extension	
Tonbridge School Athletics Facility	

## 9 Selection of List C Schemes for Evaluation

- 9.1 At this meeting, Members have the opportunity to recommend schemes for evaluation.
- 9.2 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.
- 9.3 The schedule of List C schemes in **[Annex 3]** 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, seven schemes have been recommended for Fast-Track evaluation.
- 9.4 In addition, there is one scheme selected for evaluation in a previous Review that are yet to be evaluated / subject to further evaluation as follows: Tonbridge and Tonbridge Castle Site Improvements.

<b>Schemes selected for evaluation from List C</b>	
	<b>Annex 3 Page</b>
<b>Planning, Housing and Environmental Health</b>	
River Medway – Riverside Environmental Improvements	CP 33
Acquisition of Temporary Accommodation and Resettlement (fast-track)	CP 34
<b>Street Scene, Leisure and Technical Services</b>	
Haysden Country Park Site Improvement works (fast-track)	CP 36
Tonbridge Racecourse Sportsground Improvement Works Phase 3 (fast-track)	CP 39
Swanmead Sportsground Flood Alleviation Works (fast-track)	CP 40
Tonbridge Racecourse to Lower Castle Fields Car Park Bridge Works	CP 42
Haysden Country Park Shallow Bridge Works	CP 43
Angel Centre Replacement	CP 44
Tonbridge Farm Sportsground Improvements	CP 45
Car Parks LED Lights	CP 46
Tonbridge Cemetery Vaults (fast-track)	CP 47
Installation of Digital CCTV Systems at the Council's Leisure Facilities (fast-track)	CP 48
Leybourne Lakes Country Park Resurfacing Access Roads and Paths	CP 49
<b>Corporate Services</b>	
De-carbonising Council's Estate, PWGC Boiler Replacement (fast-track)	CP 41

## **10 Evaluation of List C Schemes**

- 10.1 As part of the 2024/25 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 those schemes recommended for Fast-Track evaluation.
- 10.2 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.



10.3 Details of the evaluated schemes are summarised below.

<b>Capital / revenue consequences of evaluated schemes</b>		
	<b>Capital Cost</b>	<b>Annex 4 Page</b>
	<b>£'000</b>	
<b>Planning, Housing and Environmental Health</b>		
Acquisition of Temporary Accommodation and Resettlement (excludes £400k already approved on list A). fast-track	3,800	CP 50
<b>Street Scene, Leisure and Technical Services</b>		
Haysden Country Park Site Improvement Works. fast-track	50	CP 53
Tonbridge Racecourse Sportsground Tennis Court Improvements. fast-track	65	CP 55
Swanmead Sportsground Land Drainage. fast-track	25	CP 57
Tonbridge Cemetery Vaults. fast-track	43	CP 59
Digital CCTV Systems at the Council's Leisure Facilities. fast-track	85	CP 62
<b>Corporate Services</b>		
PWGC Boiler Replacement. fast-track	250	CP 65
<b>Total</b>	<b>4,318</b>	

10.4 The estimated capital cost of the schemes outlined above is to be funded as explained in paragraphs 11.3 and 11.4 below.

10.5 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.

10.6 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) considering the overall budget position.

## 11 List B Proposals

11.1 As described in the process above, List B contains Schemes that have been subject to evaluation and are awaiting the identification of funding to move onto the full list A for capital works to commence.

11.2 A schedule of List B Schemes are attached at **[Annex 2]**. To assist Members, a summary of the proposals is detailed in the table below.

	<b>Proposed Budget £'000</b>
<b>Planning, Housing and Environmental Health</b>	
1. Acquisition of Resettlement and Temporary Accommodation (includes £400k already approved on list A).	4,200
<b>Street Scene, Leisure and Technical Services</b>	
2. Haysden Country Park Site Improvements Works, Phase 2 works, Various.	50
3. Tonbridge Racecourse Sportsground Site Improvement Works, Phase 3, Tennis Courts.	65
4. Swanmead Sportsground Flood Alleviation Works.	25
5. Tonbridge Cemetery Vaults.	43
6. Installation of digital CCTV systems at the Council's Leisure Facilities.	85
<b>Corporate Services</b>	
7. De-carbonising the Council's Estate: Boiler Replacement at PWGC.	250
<b>Total</b>	<b>4,718</b>

11.3 The majority of funding for these schemes will be taken from grants (subject to confirmation) and section 106 agreements. Notably:

- Scheme 1 can be fully funding from Local Authority Housing Fund (LAHF) grant, s106 developer contributions and ringfenced contributions within the revenue reserve for capital schemes;
- Scheme 2 can be funded from s106 developer contributions;
- Scheme 3 can be funded from s106 developer contributions;
- In respect of scheme 7, application is being made to the Public Sector Decarbonisation Grant Scheme, although some match funding may be required.

- 11.4 The remaining three schemes numbered 4, 5 and 6 under SSLT highlighted in **red** on the table above will require financing from the Revenue Reserve for Capital Schemes costing **£153,000 if they are to proceed**. As set out in paragraph 5.3 this is within the annual capital allowance of £250,000 and therefore these schemes could proceed if Members decide accordingly. The remaining balance could be used to support the match funding outlined in scheme 7 above.

## 12 Other impacts of Accounting Regulations and Standards

- 12.1 Following the introduction of IFRS 16 Leases from the 2024/25 accounting records, the Council is now required to include leased assets on the Council balance sheet under Property, Plant and Equipment.
- 12.2 Whilst most leases paid by the Council do not generate assets of significant value, the decision to enter a lease arrangement for Bridge House in Tonbridge, D240137ACB, does generate an asset for the period of the lease. Officers have constructed a rough estimate of the overall capital value of the leased asset, around £2.5million, the costs of which will be financed through the revenue estimates under the homelessness budget. There will be no impact on the Taxpayer costs due to overrides allowed under the accounting code.
- 12.3 As this asset is of a leased nature, it has not been included in the capital plan review contained in annexes 1 – 4 on the grounds that the council is funding this from other sources rather than those of a capital nature.

## 13 Capital Strategy

- 13.1 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.
- 13.2 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 5]**. 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.
- 13.3 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."

#### **14 Financial and Value for Money Considerations**

- 14.1 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.
- 14.2 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.

#### **15 Risk Assessment**

- 15.1 Financial implications of new schemes to be considered by Cabinet at the February budget meeting.
- 15.2 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.

#### **16 Legal Implications**

- 16.1 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).

#### **17 Cross Cutting Issues**

- 17.1 Climate Change and Biodiversity
- 17.1.1 Where there is a perceived impact on end users a climate change or biodiversity impact assessment has or will be carried out as schemes progress as appropriate.
- 17.2 Equalities and Diversity
- 17.2.1 Where there is a perceived impact on end users an equality impact assessment has or will be carried out as schemes progress as appropriate.

Background Papers	None
Annexes	
1-4	Capital Plan Review 2024/25 & 2025/26
5	Capital Strategy 2025/26