

Capital Management Report: Quarter 4 (to 31 March 2018)

Final Decision-Maker	Cabinet
Portfolio Holder(s)	Councillor David Reilly – Portfolio Holder for Finance and Governance
Lead Director	Lee Colyer – Director of Finance, Policy and Development
Head of Service	Jane Fineman – Head of Finance & Procurement
Lead Officer/Author	Zoe Jagniaszek – Service Accountant
Classification	Non-exempt
Wards affected	All

This report makes the following recommendations to the final decision-maker:

1. Cabinet note the actual gross and net expenditure for the year and the sources of finance, as shown in Appendices B to D;
2. Approval is given for the proposed movement between years set out in paragraph 4.3;
3. Approval is given for the proposed variations to the 2017/18 Capital programme, set out in notes 4.4 to 4.17; and
4. Approval is also given for the proposed new and deleted schemes, set out in notes 4.18 and 4.19.

This report relates to the following Five Year Plan Key Objectives:

This report supports all of the Key Objectives. Managing and forecasting capital expenditure effectively is vital in order to support all of the services provided by the Council.

Timetable

Meeting	Date
Management Board	9 May 2018 (Verbal Update)
Discussion with Portfolio Holder	29 May 2018
Cabinet Advisory Board	29 May 2018 (Verbal Update)
Cabinet	21 June 2018

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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the actual outturn expenditure on capital schemes as at the 31 March 2018. The total capital expenditure is £2,999,000, a reduction of £7,464,000 from the previously approved budgets. This consists of a net decrease of £4,621,000 in spending rescheduled to and from 2018/19 and a net decrease in the forecast projected spend of £2,843,000. New and deleted schemes for 2018/19 totalling £111,000 are asked to be approved.
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2. INTRODUCTION AND BACKGROUND

- 2.1 At their meeting on 2 March 2017, Cabinet approved schemes to be met from the Capital Programme for the years 2017/18 to 2020/21.
- 2.2 The figures approved by Cabinet were on the basis of the net cost after specific funding to be met by the Council, either from reserves or from the sale of existing assets. The total approved spending was £26,831,000 during that period, of which £9,899,000 was to be spent during 2017/18.
- 2.3 As shown in Appendix A, the approved programme for 2017/18 moved to £11,360,000 by the end of the 2016/17 financial year, accounting for new schemes, deletions and deferrals into future years.
- 2.4 New movements for 2017/18 result in an actual spend of £2,999,000, a reduction of £7,464,000 on the approved of £10,463,000 as at quarter 3.
- 2.5 Appendices B and C set out in gross and net terms the actual spend and amounts approved against the forecast outturn to 31 March 2018, while Appendix D summarises the movement in approvals and in sources of finance for the year.
- 2.6 Approval is sought for £4,643,000 gross expenditure to be deferred into future years and £22,000 to be rescheduled from 2018/19 into the current year. Also there is a net decrease in the forecast projected spend of £2,843,000 (see notes 4.3 to 4.17).
- 2.7 Approval is also sought for increases in the overall capital programme of £111,000 for new and deleted schemes for 2018/19 (see notes 4.18 and 4.19).
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3. AVAILABLE OPTIONS

- 3.1 Retain the approved rolling capital programme as at the end of Quarter 3. This would not reflect delays, advancements, underspends or new schemes and therefore provide an inaccurate position at the end of the financial year.
- 3.2 Amend the rolling capital programme to reflect changes since the end of Quarter 3. These projections help to manage the public finances effectively which support the objectives and priorities of the Council.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

New Budget Approvals

- 4.1 Appendix A shows how the approved capital expenditure has evolved since the programme was first agreed (CAB 158/16). The amounts approved for schemes at the March Cabinet meeting have been added to the figure then reported as total approvals to date.

Projected capital expenditure and funding for 2017/18

- 4.2 Appendices B and C set out the actual expenditure and income for 2017/18. Appendix D shows the sources of funding and specifically that required from TWBC reserves or usable capital receipts. It can be seen that £407,000 will be required from earmarked reserves to deliver the complete capital programme of £2,999,000.

Schemes deferred to and from future years

- 4.3 There are 18 projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to and from future years (see Appendix B):
- The £310,000 for Disabled Facilities Grants was unspent due to an increase in funding from the DCLG which was not able to be fully utilised within the year.
 - £6,000 for the Goudhurst Pavilion where there was a delay in transfer to Goudhurst Parish Council. Kent County Council is currently processing documents for completion of the transfer.
 - £24,000 for the Quality Bus Partnership, which is part funded by Kent County Council. This was delayed, however funding has now been received and this will be spent on the upgrade of two bus shelters in 2018/19.
 - £29,000 for the replacement of Street Lighting Columns has been delayed due to limited resources in reviewing the current stock to identify options of replace and retain, remove or transferring ownership of the columns.
 - £10,000 for the Mobile Responsive Website. Implementation of this scheme has been delayed until a website redesign has taken place.

- £1,258,000 for the Public Realm Improvements – Phase 2. Approval to enter into an agreement to transfer this capital funding and responsibility for commissioning the detailed design and construction phases to Kent County Council was given by Cabinet at its April meeting. This will result in a transfer of funds during 2018/19, once an agreement has been reached.
- £15,000 for John Street Car Park scheme to enable the installation of replacement windows that can be opened.
- £127,000 for the Single Customer Account, delayed to establish how the scheme can be further developed with the financing available once the Abavus Software is in use.
- The Car Park Payments System scheme has funded machines for the RVP and Great Hall car park in previous years. The current year budget of £56,000 has been deferred to 2018/19 and will be used for the Meadow Road car park.
- Part of the FMS Upgrade has taken place in 2017/18, as the software provider was available for installation and therefore the budget of £10,000 has been moved back into the current financial year.
- A report on the RIBA stage 4 work for the Cultural Hub was approved by Management Board in October, which recommended a further payment to Kent County Council of £200,000 to cover incidental stage 4 costs. £100,000 of this has not been paid in 2017/18 as forecast and therefore has been deferred to 2018/19.
- £11,000 for Dowding House relating to the additional fire safety works, postboxes and CCTV camera installation has been deferred to 2018/19.
- The remaining Hilbert Football Pitch Drainage budget of £41,000 is deferred to 2018/19 as this is due to be completed by the end of Spring 2018.
- The Torrington Car Park LED Lighting has been delayed and a new capital application for further budget is expected to be received during 2018/19. The current budget of £102,000 has been deferred and will be updated once the new application is received.
- Work on the Crescent Road Car Park Refurbishment commenced in 2017/18 but will not be completed until 2018/19. The remaining budget of £2,162,000 has been deferred accordingly.
- £330,000 for the RVP Car Park Extractor Fans has been deferred as these works have been delayed until 2018/19.
- The expenditure included in the IT Strategy 2017/18 – 2020/21 budget has not been fully utilised within the year but will be spent in 2018/19 and therefore £61,000 of this has been projected forward.
- The Parking Bodycams were purchased early and the budget of £11,000 has been bought forward accordingly from 2018/19.

Variations requiring approval

- 4.4 The two initiatives committed from the Housing Renewal Advances scheme for Occupational Therapy and a Discharge Co-ordinator were paid from the Disabled Facility Grant budget, funded by DCLG monies. The further £68,000 is therefore no longer required to be funded by the Housing Renewal Reserve.

- 4.5 The Heritage Partner Grants budget of £38,000 is no longer required as this scheme has been withdrawn and all outstanding grants have now been settled.
- 4.6 The North Farm Depot cooling project, which started later than was originally planned due to a problem found during commissioning, is now complete and remaining budget of £6,000 is no longer required.
- 4.7 The Asset Acquisition Fund of £2.992m was approved on the basis that the Council would purchase investment properties when and if the possibility arose, and that purchases would be funded from the PWLB loan taken out in 2010/11. £1m of this loan was repaid in July 2017 and £1m in January 2018 reducing the scheme to £0.992m. As this will be repaid in July 2018 a variation is sought to reduce the budget for 2017/18 by the whole amount remaining and close the scheme.
- 4.8 Phase 1 of Public Realm Improvements scheme is now complete and the remaining £55,000 budget is not required.
- 4.9 The £90,000 budget for John Street Car Park, which was kept for contingencies for 12 months after completion of the scheme, is no longer required due to the carried forward amount included in 4.3 covering the cost of the additional window works.
- 4.10 The iTrent Payroll and HR System has now been installed but due to additional bespoke requirements a further budget of £8,000 was required. This will be funded from underspends within the Payroll and HR revenue budgets.
- 4.11 There is £6,000 remaining for the Telephony MKIP Project, which is fully financed from the Transformation Challenge Award Grant. This is no longer required for capital purposes and the funding will be used for revenue costs in 2018/19.
- 4.12 The Calverley Grounds Play Area is complete and the remaining £3,000, funded from section 106 developer contributions, is no longer required for capital purposes.
- 4.13 The Affordable Housing Grants, again fully funded from section 106 developer contributions, have not been fully spent and £64,000 is no longer required for capital purposes.
- 4.14 The Mary Caley Play Area is complete and the £14,000 of section 106 developer contributions that this scheme has been funded by is also no longer required for capital purposes.
- 4.15 The contract for works on the Crescent Road Car Park Refurbishment has been issued and commenced at the end of 2017/18. A saving on this contract of £500,000 was achieved, which is reflected in the figures requiring approval.
- 4.16 Leadership Board approved the removal of the remaining £16,000 budget for the Members Tablets at their March meeting, and this is now reflected in the capital programme for 2017/18.

- 4.17 There are various schemes with small variations in budgets totalling £1,000 as a result of the completion of projects. These are included as a total rather than referred to individually.

New and Deleted Schemes

- 4.18 £123,000 of Disabled Facility Grants were paid back during the year, as when a property is sold the grant must be repaid, and therefore this reduced the amount of DCLG funding which was required to fund new grants issued. This additional funding is now available to spend in 2018/19.
- 4.19 The Parking Radios will no longer need to be replaced as they have been successfully refurbished instead. The budget of £12,000 applied for in 2018/19 is therefore no longer required.

Housing Renewal Advances

- 4.20 Housing Renewal Advances (TAD) are discretionary loans given to vulnerable householders, owners of empty properties and accredited landlords to help improve the living conditions in the Borough. £9,590 has been distributed this year, while £95,450 has been received from repayments of previous loans.
- 4.21 A payment of £100,000 has been made to Kent County Council under a Top-Up Loan Agreement arrangement for the No Use Empty initiative. Also, payments totalling £22,840 have been distributed from the Kent County Council funded Winter Warmth scheme. This funding had been held in the Government Grants deferred reserve.
- 4.22 As approved by Cabinet in September 2012, a Housing Renewal Reserve was set up to capture all loan repayments. It was intended that in the future Cabinet would use these sums to fund new loans, reducing or removing the necessity to draw from other Council reserves for funding. From 2016/17 we have utilised this reserve for all future advances. Appendix E gives a summary of expenditure and receipts over the last 5 years.

Section S106 Developer Funding

- 4.23 Section 106 of the Town and Country Planning Act 1990 allows a Local Planning Authority (LPA) to enter into a legally-binding agreement or planning obligation with a developer in association with the granting of planning permission. Total Section 106 monies unspent and available as at 31 March 2018 is £1,442,000. Of this sum, £69,000 has been approved by Cabinet for various capital projects.
- 4.24 It should be noted that a number of these agreements are required to be repaid should the Council not find appropriate projects upon which the monies can be spent within the agreed time period. Appendix F summarises the allocation of Section 106 money and also analyses the dates on which these agreements expire.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 All capital adjustments have been discussed with the appropriate Officers responsible for each scheme. Management Board have also reviewed these proposals and consider them appropriate.

RECOMMENDATION FROM CABINET ADVISORY BOARD

- 5.2 The Finance and Governance Cabinet Advisory Board were given a verbal update on this decision on 29 May 2018 and made no further comment on the recommendations.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Finance will communicate decisions to the appropriate services and reflect the budget changes in the financial management system.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Legal including Human Rights Act	Under section 151 of the local government act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information.	Patricia Narebor, Head of Legal Partnership
Finance and other resources	The report updates on the Authority's capital programme and sets out whether capital expenditure is incurred within approvals by Cabinet.	Jane Fineman, Head of Finance and Procurement
Staffing establishment	None	Zoe Jagniaszek, Service Accountant
Risk management	To ensure that spending on the capital programme is in line the Council's Medium Term Financial Strategy.	Zoe Jagniaszek, Service Accountant
Environment and sustainability	No implications	Zoe Jagniaszek, Service Accountant
Community safety	No implications	Zoe Jagniaszek, Service Accountant
Health and Safety	No implications	Zoe Jagniaszek, Service Accountant
Health and wellbeing	No implications	Zoe Jagniaszek, Service Accountant

Equalities	No implications	Zoe Jagniaszek, Service Accountant
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8. REPORT APPENDICES

The following documents are to be published with and form part of the report:

- Appendix A: Gross capital expenditure previously approved
- Appendix B: Gross capital budgets and actual expenditure for Quarter 4 2017/18
- Appendix C: Net capital budgets and payments for Quarter 4 2017/18
- Appendix D: Summary of expenditure and funding for the 4 years to 2020/21
- Appendix E: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix F: Funding from Section 106 Agreements

9. BACKGROUND PAPERS

- Quarter 4 2016/17 Capital Management to 31 March 2017 – CAB 23/17:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s32782/16%20Capital%20Management%20Report%20Q4%20-%20Report.pdf>
- Quarter 1 2017/18 Capital Management to 30 June 2017 – CAB 58/17:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s34035/12%20Capital%20Management%20Report%20Q1%20-%20Report.pdf>
- Quarter 2 2017/18 Capital Management to 30 September 2017 – CAB 112/17:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s35503/13%20Capital%20Management%20Report%20Q2.pdf>
- Quarter 3 2017/18 Capital Management to 31 December 2017 – CAB 147/17:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s36692/11%20Capital%20Management%20Report%20Q3.pdf>
- Budget 2017/18 – CAB 158/16:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s30941/12%20Budget%202017-18%20-%20Report.pdf>
- Medium Term Financial Strategy Update – CAB 159/16:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s30945/13%20Medium%20Term%20Financial%20Strategy%202017-18%20to%202021-22%20-%20Report.pdf>
- Budget 2018/19 & Medium Term Financial Strategy Update – CAB 130/17:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s36314/11%20Budget%202018-19%20and%20Medium%20Term%20Financial%20Strategy%20Update.pdf>