

Finance and Governance Cabinet Advisory Board

12 November 2019

Is the final decision on the recommendations in this report to be made at this meeting?

No

Quarter 2 – Capital Management to 30 September 2019

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| Final Decision-Maker | Cabinet |
| Portfolio Holder(s) | Councillor Tom Dawlings – Portfolio Holder for Finance and Governance |
| Lead Director | Lee Colyer – Director of Finance, Policy & 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. That the actual gross and net expenditure for the year and the sources of finance, as shown in Appendices B to D, be noted;
2. That the proposed variations to the 2019/20 Capital programme, set out in paragraphs 4.3 to 4.8, be approved.
3. Cabinet note the inclusion of new schemes into the capital programme as set out in notes 4.9 to 4.14.
4. Approval is given for the proposed movement between years set out in paragraph 4.15 to 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 | 17 October 2019 (Verbal update) |
| Discussion with Portfolio Holder | 12 November 2019 |
| Cabinet Advisory Board | 12 November 2019 |
| Cabinet | 5 December 2019 |

Quarter 2 – Capital Management to 30 September 2019

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 30 September 2019. The total capital expenditure is forecast to be £20,866,000, a net reduction of £3,087,000 from the previously approved budgets. An increase of £1,593,000 approved by Cabinet on 24 October 2019 for the Culture and Learning Hub for 2020/21.
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2. INTRODUCTION AND BACKGROUND

- 2.1 At their meeting on 7 March 2019, Cabinet approved schemes to be met from the Capital Programme for the years 2019/20 to 2021/22.
- 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 £104,301,000 during that period, of which £22,681,000 was to be spent during 2019/20.
- 2.3 As shown in Appendix A, the approved programme for 2019/20 moved to £23,925,000 by the end of the 2018/19 financial year, accounting for new schemes, deletions and deferrals into future years and was approved by Cabinet on 27 June 2019.
- 2.4 As the Capital Programme is a 4 year rolling plan an additional £854,000 has been included for approval for 2022/23. This consists of Disabled Facilities Grants and Housing Renewal advances.
- 2.5 New movements for 2019/20 are now forecasting an outturn of £20,866,000.
- 2.6 Appendices B and C set out in gross and net terms the actual spend and amounts approved against the forecast outturn to 31 March 2020, while Appendix D summarises the movement in approvals and in sources of finance for the year.
- 2.7 Approval is sought for a net decrease in the capital programme of £3,087,000 (see paragraphs 4.3 to 4.19).
- 2.8 There may be small differences in the figures within the report and appendices due to rounding.
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3. AVAILABLE OPTIONS

- 3.1 Retain the approved rolling capital programme as at the end of Quarter 1 2019/20. This would not reflect delays, advancements, underspends or new schemes and therefore provide an inaccurate forecast to the end of the financial year.
- 3.2 Amend the rolling capital programme to reflect changes since the end of Quarter 1 2019/20. 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 148/18). The amounts approved for schemes at the June and September Cabinet meeting have been added to the figure then reported as total approvals at Quarter 1.

Projected capital expenditure and funding for 2019/20

- 4.2 Appendices B and C set out the actual expenditure and income to date and the projection for the year for gross and net capital expenditure. Depending upon the progress of the capital programme throughout the year it can be seen that £5,793,000 will be required from earmarked reserves, Usable Capital Receipts Reserve, Sale of Fixed Assets, or further borrowed funds to deliver the complete capital programme of £20,866,000.

Variations requiring approval

- 4.3 An additional budget of £200,000 is required to deliver low carbon initiatives by enhancing the existing Housing Renewal Advances (TAD) energy efficiency schemes currently available to residents in the Borough, as per Appendix E. Half of this will be funded by S106 contributions with the remaining £100,000 (less £6,000 repayments – see Note 4.20) from the housing renewal reserve.
- 4.4 A budget of £6,380 was brought forward from 2018/19 for the three remaining unpaid Community Capital Grants (TCE). Two of these are no longer required and therefore the budget is to be reduced to £3,500 for the final grant payment.
- 4.5 The two Street Lighting Column (TDD and TJO) schemes have been merged so that the original scheme now has an additional budget of £50,000, recurring for the next two years. The subsequent scheme will be deleted.
- 4.6 Further budget of £1,593,000 is required in 2020/21 for the Culture and Learning Hub (THP) as approved by Cabinet at their meeting on 24 October 2019. Funding for this additional budget consists of £400,000 from the Capital and Revenue Initiatives Reserve, £400,000 from Kent County Council, £400,000 from the National Lottery Heritage Fund which the Council will underwrite, and the remaining £393,000 from Section 106 and the opportunities register.
- 4.7 An original budget of £680,000 has been approved for the purchase of Waste Bins and Food Caddies required for new collections in the borough. It has since been agreed that the Council procures and purchases those on behalf of Tonbridge & Malling Borough Council and recharge them accordingly. An additional budget of £520,000 is required to cover the cost of the extra bins and caddies, which will then be recharged.

- 4.8 Supplier engagement has been carried out in order to establish that the Packs in the Wood Refurbishment (TJJ) will now cost in the region of £150,000, therefore an additional budget of £44,000 is required.

New and Deleted Schemes

- 4.9 The remaining budget of £8,000 for the Lamberhurst Flood Protection (TDP) has been carried forward each year since 2013/14. As there is no immediate requirement for this, it will be removed from the capital programme and the funding will continue to be held in a reserve.
- 4.10 Approval is sought for the replacement of another Environmental Enforcement Vehicle (TIT) at a cost of £22,000, as detailed in Appendix F.
- 4.11 It has been agreed by Cabinet at their meeting on 24 October 2019 that the Council contribute £769,000 to British Land towards the Royal Victoria Place Refurbishment (TJU) as per the lease agreement for the shopping centre.
- 4.12 Crematorium Management Software (TJV) has been purchased at a total cost of £56,000 in order to replace a previous system no longer fit for purpose, as per Appendix G. This should have been capitalised.
- 4.13 The RVP Car Park Refurbishment (TJW) is due to commence in 2020/21, with the initial intrusive investigation and structural engineers report to be undertaken between November 2019 and February 2020. The budget required for this report, as detailed in Appendix H, is £30,000.
- 4.14 Car Parks CCTV (TJX) is required in Crescent Road, Torrington and Great Hall Car Parks to improve security, deter anti-social behaviour and reduce revenue cost of security, cleaning and repairs. As shown in Appendix I, the total budget for this is £80,000.

Schemes deferred to future years

- 4.15 The Crescent Road Extension (TIL) has been deferred to 2020/21 in order to decide whether there is a requirement for the additional car parking spaces. The budget of £2,962,000 has been moved accordingly.
- 4.16 The conversion of the West Station Coach Park (TIN) to a car park has also been delayed whilst demand for spaces is assessed; therefore the budget of £44,000 has been moved to 2020/21.
- 4.17 Part of the works to the Assembly Hall Fire Escape (THE) is now going to be carried out in 2020/21 and £120,000 of the budget is to be carried forward to cover this.
- 4.18 The replacement of the Benhill Mill Depot (TJH) has not commenced due to issues with the land and therefore the budget of £588,000 is to be carried forward to 2020/21.

4.19 The Acquisition Sites Sports Strategy (TJR), budgeted at £1,083,000, is delayed and will be carried forward to 2020/21.

Capital Disposals

4.20 There have been no new capital disposals in Quarter 2.

Housing Renewal Advances

4.21 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. £56,000 has been distributed this year, while £6,000 has been received year to date from repayments of previous loans.

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 and will for all future advances. Appendix J gives a summary of expenditure and receipts over the last 6 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 30 September 2019 is £2,496,000. Of this sum, £712,000 has been approved and allocated in 2019/20 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 K summarises the allocation of Section 106 money and also analyses the dates on which these agreements expire.

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 This report was presented to the Finance and Governance Cabinet Advisory Board on 12 November 2019 and

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.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
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| 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 |

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 2 2019/20

- Appendix C: Net capital budgets and payments for Quarter 2 2019/20
 - Appendix D: Summary of expenditure and funding for the 4 years to 2022/23
 - Appendix E: Capital application form – Housing Renewal Advances
 - Appendix F: Capital application form – Enforcement Vehicle
 - Appendix G: Capital application form – Crematorium Management Software
 - Appendix H: Capital application form – RVP Car Park Refurbishment
 - Appendix I: Capital application form – Car Parks CCTV
 - Appendix J: Housing Renewal Grants – Summary of loans issued and repaid
 - Appendix K: Funding from Section 106 Agreements
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9. BACKGROUND PAPERS

- Quarter 4 2018/19 Capital Management to 31 March 2019 – CAB 21/19
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s43179/14%20Capital%20Management%20Report%20Q4.pdf>
- Quarter 1 2019/20 Capital Management to 30 June 2019 - CAB 64/19
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s44667/12%20Capital%20Management%20Report%20Q1.pdf>
- Budget 2019/20 and Medium Term Financial Strategy Update – CAB 133/18
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s41506/12%20Budget%202019-20%20and%20MTFS%20Update.pdf>