

Quarter 2 – Capital Management to 30 September 2020

For Cabinet on 3 December 2020

Summary

Lead Member: Councillor Tom Dawlings, Portfolio Holder for Finance & Governance

Lead Director: Lee Colyer, Director of Finance, Policy & Development

Head of Service: Jane Fineman, Head of Finance, Procurement & Parking

Report Author: Zoe Jagniaszek, Service Accountant

Classification: Public document (non-exempt)

Wards Affected: All

Approval Timetable	Date
Management Board	23 October 2020 (Verbal update)
Portfolio Holder	
Finance & Governance Cabinet Advisory Board	10 November 2020
Cabinet	3 December 2020

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet note the actual gross and net expenditure for the year and the sources of finance, as shown in Appendices B to D.
2. That Cabinet approve the proposed variations to the Capital programme, set out in note 4.3 to 4.7.
3. That Cabinet approve the proposed movement between years set out in note 4.8.

1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 30 September 2020. The total capital expenditure is forecast to be £19,652,000, a net increase of £1,690,000 from the previously approved budgets. This consists of a net decrease of £146,000 in spending rescheduled to and from 2021/22 and a net increase in the forecast projected spend of £1,836,000. An increase of £921,000 is also forecast for 2021/22.

2. Capital Management to 30 September 2020

- 2.1 At their meeting on 12 March 2020, Cabinet approved schemes to be met from the Capital Programme for the years 2020/21 to 2022/23.
- 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 £23,652,000 during that period, of which £19,479,000 was to be spent during 2020/21.
- 2.3 As shown in Appendix A, the approved programme for 2020/21 moved to £18,397,000 by the end of the 2019/20 financial year, accounting for new schemes, deletions and deferrals into future years and was approved by Cabinet on 25 June 2020.
- 2.4 As the Capital Programme is a 4 year rolling plan an additional £854,000 has been included for approval for 2023/24. This consists of Disabled Facilities Grants and Housing Renewal advances.
- 2.5 New movements for 2020/21 are now forecasting an outturn of £19,652,000.
- 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 2021, while Appendix D summarises the movement in approvals and in sources of finance for the year.
- 2.7 Approval is sought for a net increase in the capital programme of £1,690,000 for 2020/21 and £921,000 for 2021/22 (see notes 4.3 to 4.8).
- 2.8 There may be small differences in the figures within the report and appendices due to rounding.

3. Options Considered

- 3.1 Retain the approved rolling capital programme as at the end of Quarter 1 2020/21. 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 2020/21. These projections help to manage the public finances effectively which support the objectives and priorities of the Council.

4. Preferred Option and Reason

New Budget Approvals

- 4.1 Appendix A shows how the approved capital expenditure has evolved since the programme was first agreed (CAB 140/19). The amounts approved for schemes at the June and September Cabinet meeting have been added to the figure then reported as total approvals as at Quarter 1.

Projected capital expenditure and funding for 2020/21

- 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 £8,279,000 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 £19,652,000.

Variations requiring approval

- 4.3 A total budget of £28,000 is required for the Public Realm Improvements (TGH). £7,000 of this relates to an outstanding payment in completing the second phase of improvements within the current financial year. The remaining £21,000 is for public realm works which could not be completed until construction traffic finishes on The Amelia Scott project, which is likely to take place in 2021/22 and will be funded by Kent County Council.
- 4.4 Further budget of £3,175,000 is required in for The Amelia Scott (THP) as approved by Cabinet at their meeting on 10 September 2020. Funding for this additional budget consists of £275,000 from the National Lottery Heritage Fund, £900,000 from Kent County Council and £2,000,000 from Council borrowing.

- 4.5 The Video Conferencing Equipment (TJL) has been fully installed and a final payment made of £1,000 has now been settled. This is to be funded by the Digital Transformation Reserve.
- 4.6 £46,000 for the purchasing of Christmas Lights (TKG) is no longer required as these will now be bought by the Tunbridge Wells Business Improvement District. The remaining budget of £20,000 will be used to fund Christmas lighting at the Town Hall.
- 4.7 The budget of £400,000 for the Paddock Wood Hub (TKK) contribution is no longer required. Paddock Wood Town Council refused the new Head of Terms for the Day Centre at their meeting on the 21 September which was to be agreed if they were to receive the contribution.

Schemes deferred to future years

- 4.8 There are three projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to and from future years (see Appendix B):
- There has been a delay in the electrical testing of the Street Lighting Columns (TDD) and therefore a budget of £90,000 has been moved to 2021/22 when the works on replacing these columns will take place.
 - A budget of £236,000 for the IT Strategy (TIF) has been rolled forward to 2021/22 due to a delay in planned works.
 - The works to the roof of the Assembly Hall Theatre (TKO) have been brought forward to 2020/21 in order to achieve efficiencies by carrying these out at the same time as the Town Hall. Consequently, the budget of £180,000 has been moved from 2021/22 into the current financial year.

Capital Disposals

- 4.9 During quarter 1 a capital disposal of £526,000 was completed, for Land at Hornbeam Avenue. This amount was transferred to the capital receipts reserve and used to finance some of the capital projects, as can be seen in Appendix D
- 4.10 Holly Farm, Hawkenbury was sold in May 2017. During quarter 1 the final tranche of £4,625,000 was received in respect of this sale. This amount will be transferred to the Usable Capital Receipts Reserve and used to finance capital projects (mainly the Amelia Scott project).
- 4.11 There have been no new capital disposals in Quarter 2.

Housing renewal Advances

- 4.12 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. £2,300 has been distributed this year specifically for the Energy Efficiency scheme, while £28,400 has been received year to date from repayments of previous loans
- 4.13 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 E gives a summary of expenditure and receipts over the last 6 years.

Section 106 Developer Funding

- 4.14 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 2020 is £5,091,000. Of this sum, £906,000 has been approved and allocated by Cabinet for various capital projects.
- 4.15 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.
- 4.16 The expired contribution of £47,000 from 2019/20 relates to transport improvements in the vicinity of Fountains Retail Park. The Council has sought the developers' approval to undertake an alteration or addendum to the S106 agreement to use this funding for a similar purpose at a later date and is currently awaiting a response.
- 4.17 The amount of £51,000, expiring in 2020/21, has been committed to an Affordable Housing capital scheme and is included in note 4.14 as approved and allocated by Cabinet.

5. Consultation on Options

- 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 & Governance Cabinet Advisory Board were consulted on 10 November 2020 and agreed the following:

Insert text from Cabinet Advisory Board minute, or request text from Democratic Services Officer.

6. Implementation

6.1 The decision will be published on the Council's website.

7. Appendices and Background Documents

Appendices:

- Appendix A: Gross capital expenditure previously approved
- Appendix B: Gross capital budgets and actual expenditure for Quarter 2 2020/21
- Appendix C: Net capital budgets and payments for Quarter 2 2020/21
- Appendix D: Summary of expenditure and funding for the 4 years to 2023/24
- Appendix E: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix F: Funding from Section 106 Agreements

Background Papers:

- Quarter 4 2019/20 Capital Management to 31 March 2020 – CAB 179/19
<https://democracy.tunbridgewells.gov.uk/meetings/documents/s48599/17%20Capital%20Q4%20Cabinet%20report%20201920.pdf>
- Quarter 1 2020/21 Capital Management to 30 June 2020 – CAB 25/20
<https://democracy.tunbridgewells.gov.uk/meetings/documents/s49654/14%20Capital%20Management%20Q1.pdf>
- Budget 2020/21 and Medium Term Financial Strategy – CAB 126/19
<https://democracy.tunbridgewells.gov.uk/meetings/documents/s48599/17%20Capital%20Q4%20Cabinet%20report%20201920.pdf>

8. Cross Cutting Issues

A. Legal (including the 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

B. 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, Procurement & Parking

C. Staffing

None

Jane Fineman, Head of Finance, Procurement & Parking

D. Risk Management

To ensure that spending on the capital programme is in line the Council's Medium Term Financial Strategy.

Jane Fineman, Head of Finance, Procurement & Parking

E. Environment and Sustainability

No implications

Jane Fineman, Head of Finance, Procurement & Parking

F. Community Safety

No implications

Jane Fineman, Head of Finance, Procurement & Parking

G. Equalities

No implications

Jane Fineman, Head of Finance, Procurement & Parking

H. Data Protection

No implications

Jane Fineman, Head of Finance, Procurement & Parking

I. Health and Safety

No implications

Jane Fineman, Head of Finance, Procurement & Parking

J. Health and Wellbeing

No implications

Jane Fineman, Head of Finance, Procurement & Parking