

Quarter 3 – Capital Management to 31 December 2020

For Cabinet on 11 March 2021

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	27 January 2021 (Verbal update)
Portfolio Holder	
Finance & Governance Cabinet Advisory Board	16 February 2021
Cabinet	11 March 2021

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 4.4.
3. That Cabinet approve the proposed movement between years, set out in notes 4.5 to 4.16.
4. That Cabinet note the inclusion of new schemes into the capital programme as set out in note 4.17.

1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 31 December 2020. The total capital expenditure is forecast to be £15,894,000, a net decrease of £3,758,000 from the previously approved budgets. This consists of a net decrease of £3,667,000 in spending rescheduled to and from 2021/22 and decreases in the forecast projected spend of £91,000. New schemes for 2021/22 total £840,000 to be noted, as approved by Cabinet as part of the budget.

2. Capital Management to 31 December 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 £15,894,000.
- 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 decrease in the capital programme of £3,758,000 for 2020/21 (see notes 4.3 to 4.16).
- 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 2 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 2 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, September and December Cabinet meetings have been added to the figure then reported as total approvals as at Quarter 2.

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 £7,986,000 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 £15,894,000.

Variations requiring approval

- 4.3 Additional budget was required for the re-interment of historic remains which needed to be moved at the Benhall Mill Depot (TJH) site. This has been completed and £15,000 unspent budget, originally transferred from revenue to fund this capital project, can now be transferred back.
- 4.4 The lease for Royal Victoria Place (RVP) provides that the council must make a contribution to any investment in the centre by the leaseholder. The refurbishment of the walkways in RVP is now complete and the council had paid its contribution (RVP Refurbishment (TJU)). There is an underspend of £76,000 on the original budget which is no longer required.

Schemes deferred to and from future years

- 4.5 £922,000 for Disabled Facilities Grants (TAC), unspent due to an increase in funding from the MHCLG and a delay in delivering works due to the pandemic, has meant funding is not able to be fully utilised within the year. This does not have to be returned to Government and can be deferred to next financial year.
- 4.6 Again, a delay due to the pandemic has affected the issuing of the Housing Renewal Advances (TAD). Spend of £195,000 will be rescheduled to 2021/22 and in the meantime the funding will be transferred back to the Housing Renewal reserve.
- 4.7 A small piece of work urgently required to take place in this financial year means a budget of £4,000 for the Single Customer Account (TGQ) has been rescheduled back to 2020/21.
- 4.8 The Card Payments Software (THF) project is still being implemented as portable card payment machines are not available in the market at the moment. The remaining budget of £7,000 will be needed to buy them in 2021/22.
- 4.9 £2,500,000 of The Amelia Scott (THP) budget will not been spent in 2020/21 as these fit out costs will now take place in 2021/22.
- 4.10 Landscape services work carried out on the Hilbert Football Pitch Drainage (THX) scheme in the last financial year was accrued for in 2019/20. An invoice for a lower amount has now been settled and therefore a budget of £2,000, funded by Section 106 developer contributions, has been moved to 2021/22 when works should begin.
- 4.11 Further works on the Assembly Hall Means of Escape (TJE) has been delayed, therefore £120,000 of the original budget has been moved to 2021/22 when the works will continue.
- 4.12 Design work and surveys have started on the Benhall Mill Depot (TJH) site totalling around £110,000. A budget for this has been rescheduled back into 2020/21.
- 4.13 The Theatre Sound Desk (TKB) will now be purchased in 2020/21 in preparation for the re-opening of the Assembly Hall. The successful Arts Council England funding bid will now finance this project, but it must be spent by the year end to meet the terms of the grant.
- 4.14 The Cinderhill Sewerage System (TKD) installation has been delayed until 2021/22 where further budget has been approved for the additional plot. These works will be carried out together and therefore £33,000 has been rescheduled to the next financial year.
- 4.15 As above, the Cinderhill Additional Plot (TKE) will now take place next year where additional budget has been approved after initial works found the original budget to be too low. The budget of £23,000 has been moved to 2021/22.

- 4.16 The Bayham Drainage (TKJ) scheme has been delayed until 2021/22, therefore the budget of £35,000 has been moved accordingly.

New Proposed Schemes

- 4.17 The following new schemes for 2021/22 have been approved by Cabinet as part of the budget and will be considered by Full Council on the 24 February 2021. They will now be included in the Capital programme:

- The renovation of 3 Council owned properties at Crescent Road to be used to provide 6 self-contained units for former rough sleepers and homeless residents. The budget of £515,000 is to be funded by a grant received from MHCLG's 'Next Steps Accommodation Programme' and Section 106 developer contributions. The budget originally requested was revised and agreed at the Cabinet meeting of 3 December 2020 (CAB71/20).
- £20,000 to expand the Dunorlan Park Play Area in order to accommodate more equipment which will facilitate the increased volume of children using the play area. This will be funded from Section 106 developer contributions as per Appendix E.
- £20,000 to replace the North Farm Depot CCTV system, which currently is no longer fully functional, is outdated and will require constant maintenance if not replaced as shown in Appendix F.
- The improvement of the playing surface and drainage at Southwood Road Fields. The budget of £17,000 will be partially funded by Section 106 developer contributions, see Appendix G.
- The upgrade of the Financial Management System, eFinancials, due to a new version of the software being released in 2021, budgeted at £47,000. Details are outlined in Appendix H.
- An additional £27,000 budget for the Cinderhill Additional Plot (TKE), as detailed in note 4.16 above. This part of the budget will be funded using Section 106 developer contributions as shown in Appendix I.
- £20,000 for the installation of water meters at Cinderhill. These smart meters will allow each plot to pay to the amount of water used and its disposal and will be funded from the Invest to Save reserve (see Appendix J).
- The replacement of the ventilation system at the Great Hall Car Park, expected to cost £35,000. The current system is past its economical life and has inefficient technology due to its age, as detailed in Appendix K.
- £15,000 for the Hawkenbury recreation ground pitch lighting replacement with a low energy alternative. This will be funded from the Invest to Save reserve, as outlined in Appendix L.
- £27,000 for the North Farm Depot lighting replacement, which will reduce energy consumption and a maintenance burden by using a more economical LED equivalent. This will be funded from the Invest to Save reserve, as shown in Appendix M.

- The North Farm Depot lane requires essential maintenance works on the surfacing, lining, gully and other repairs estimated at a cost of £47,000 (see Appendix N).
- £50,000 for immediate health and safety works at the Warwick Road Car Park to reduce risks to the public, motorists and their vehicles, as outlined in Appendix O.

Capital Disposals

- 4.18 During quarter 1 a capital disposal of £526,000 was completed, for Land at Hornbeam Avenue.
- 4.19 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 was transferred to the Usable Capital Receipts Reserve and used to finance capital projects (mainly the Amelia Scott project).
- 4.20 A clawback payment of £45,000 was received during quarter 3, relating to a previous sale of Land at Red Oak. 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.

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. £11,600 has been distributed this year, while £57,700 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 P gives a summary of expenditure and receipts over the last 6 years.

Section 106 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 December 2020 is £5,536,000. Of this sum, £1,245,000 has been approved and allocated 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 Q summarises the allocation of Section 106 money and also analyses the dates on which these agreements expire.
- 4.25 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.
- 4.26 The amount of £51,000, expiring in 2020/21, has been committed to an Affordable Housing capital scheme and was included in the Quarter 2 report 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 16 February 2021 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 3 2020/21
- Appendix C: Net capital budgets and payments for Quarter 3 2020/21
- Appendix D: Summary of expenditure and funding for the 4 years to 2023/24

- Appendix E: Capital Application Form: Dunorlan Park Play Area
- Appendix F: Capital Application Form: North Farm Depot CCTV
- Appendix G: Capital Application Form: Southwood Road Field Drainage
- Appendix H: Capital Application Form: FMS Upgrade
- Appendix I: Capital Application Form: Cinderhill Additional Plot
- Appendix J: Capital Application Form: Cinderhill Water Meters
- Appendix K: Capital Application Form: Great Hall Car Park Ventilation
- Appendix L: Capital Application Form: Hawkenbury Pitch Lighting
- Appendix M: Capital Application Form: North Farm Depot Lighting
- Appendix N: Capital Application Form: North Farm Lane Resurfacing
- Appendix O: Capital Application Form: Warwick Road Car Park
- Appendix P: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix Q: 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>
- Quarter 2 2020/21 Capital Management to 30 September 2020 – CAB 66/20
<https://democracy.tunbridgewells.gov.uk/documents/s51184/14%20Capital%20Q2%20Cabinet%20report%20202021.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