

Quarter 4 – Capital Management to 31 March 2021

For Cabinet on 24 June 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	25 May 2021 (Verbal update)
Portfolio Holder	
Finance & Governance Cabinet Advisory Board	8 June 2021
Cabinet	24 June 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 4.15.
3. That Cabinet approve the proposed movement between years, set out in note 4.16.
4. That Cabinet note the inclusion of a new scheme into the capital programme as set out in note 4.17.

1. Introduction and Background

- 1.1 This report summarises the actual outturn expenditure on capital schemes as at the 31 March 2021. The total capital expenditure is £11,567,000, a net decrease of £4,327,000 from the previously approved budgets. This consists of a net decrease of £4,226,000 in spending rescheduled to and from 2021/22 and decreases in the forecast projected spend of £101,000. New schemes and variations to existing schemes for 2021/22 total £1,997,000 and are asked to be approved.

2. Capital Management to 31 March 2021

- 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 was included for approval for 2023/24. This consists of Disabled Facilities Grants and Housing Renewal advances.
- 2.5 New movements for 2020/21 result in an actual spend of £11,567,000 a reduction of £4,327,000 on the approved budget of £15,894,000 as at quarter 3.
- 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 overall capital programme for new and deleted schemes of £101,000 in 2020/21 and a net increase of £1,997,000 in 2021/22 (see notes 4.3 to 4.15 and note 4.17).
- 2.8 Approval is also sought for £4,381,000 gross expenditure to be deferred into 2020/21 and £155,000 to be rescheduled from 2021/22 into the current year (see note 4.16).

- 2.9 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 3 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 3 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, December and March Cabinet meetings have been added to the figure then reported as total approvals as at Quarter 3.

Projected capital expenditure and funding for 2020/21

- 4.2 Appendices B and C set out the actual expenditure and income for the year for gross and net capital expenditure. It can be seen that £6,999,000 was required from earmarked reserves, Usable Capital Receipts Reserve, Sale of Fixed Assets, and borrowed funds to deliver the complete capital programme of £11,567,000.

Variations requiring approval

- 4.3 Additional budget of £169,000 for Disabled Facility Grants (TAC) is to be included for 2021/22, which is made up of additional government funding and repayments of grants previously paid out that are now able to be used to fund further grants.
- 4.4 Due to a carried forward balance included in note 4.16, the Housing Renewal Advances (TAD) no longer requires the usual £30,000 budget for 2021/22 which is funded from the Housing renewal reserve.
- 4.5 A capital grant of £267,840 was made to the Trinity Theatre Extension (TGR) in 2019/20, of which £100,000 has been converted to a revenue grant in order to

support them through the Coronavirus closedown period. The Portfolio Holder decision was made on 24 June 2020 and this variation is to correct the accounting treatment of the grant.

- 4.6 The construction delay to The Amelia Scott (THP) has resulted in additional budget requirement for 2021/22 of £1,262,000. This is to be funded by the capital and revenue initiatives reserve. The report detailing this was agreed at the 11 March 2021 Cabinet meeting, titled 'Amelia Scott Construction Delay'.
- 4.7 An Affordable Housing Grant (THS) of £292,000 is included within the capital programme for 2021/22. This is to be fully funded by Section 106 developer contributions. A report is due, seeking approval for this, at the same Cabinet meeting as this report and will be removed if this is not given.
- 4.8 Works to the Torrington Car Park LED Lighting (THY) took place during the year. This has been treated as revenue expenditure due to the nature of the replacement. The budget for 2021/22 has been reduced by £21,000 accordingly and the revenue account cost has been funded from the Torrington maintenance reserve.
- 4.9 The Benhall Mill Depot (TJH) construction requires additional budget in 2021/22 of £224,000. The details were provided in appendix R of the quarter 3 Cabinet report and, as this was approved, is now included within the capital programme.
- 4.10 The Town Hall Fire Alarm (TJK) has now been completed and the remaining budget of £11,000 is no longer required.
- 4.11 The Asset Management Software (TJQ) has been fully installed and requires an additional budget of £2,000 to be approved due to an optional interface included during installation.
- 4.12 An unexpected invoice was received during the year for the Conferencing Equipment in the Council Chamber (TJT). This was the final instalment for 10% of the system cost at £8,000, which was removed in 2019/20 when it was installed and the scheme was closed. This has now been included again to cover the cost of this invoice.
- 4.13 The Theatre Sound Desk (TKB) was installed in March at a cost slightly under budget. This was funded by The Arts Council and therefore the underspend of £1,000 has been moved to the Assembly Hall revenue account.
- 4.14 As mentioned in note 4.16 below, the Crematorium Woodland Walk (TKC) was completed earlier than planned, in 2020/21. This was carried out under budget and therefore the £1,000 remaining in 2021/22 can be returned to the capital and revenue initiatives reserve.
- 4.15 The Town Hall Access Control System (TKM) was completed in conjunction with the fire alarm as each door requires communication modules for the fire system. This has resulted in an overspend of £2,000.

Schemes deferred to and from future years

4.16 There are 22 projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to and from future years (see Appendix B):

- A further £240,000 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.
- Again, a delay due to the pandemic has affected the issuing of the Housing Renewal Advances (TAD). Spend of £13,000 will be rescheduled to 2021/22 and in the meantime the funding will be transferred back to the Housing Renewal reserve.
- £6,000 budget for Goudhurst Pavilion (TCX) is rescheduled to 2021/22 due to a delay in transfer to Goudhurst Parish Council.
- The structural and electrical testing of the Street Lighting Columns (TDD) started in March, therefore the unspent £29,000 will be required in addition to the 2021/22 budget already in the programme for the year.
- £4,000 budget for the Mobile Responsive website (TFV) is to be used in conjunction with the new website, which launched in September. Rebranding the two remaining portals is planned for summer 2021.
- The remaining £23,000 for the Car Parks Payment Software (TGX) is to be used during 2021/22 in the Union House car park (to be renamed Pantiles Car Park) once construction is nearing completion on the development there. This has been achieved by the savings made from machine upgrades in Torrington car park, by sourcing second hand Cale machines, and has avoided the need for a new capital application for this purpose.
- The Amelia Scott (THP) construction delay has resulted in £2,123,000 of spend being rescheduled to 2021/22.
- The expenditure included in the IT Strategy (TIF) budgets has not been fully utilised within the year but will be spent in 2021/22 and therefore £28,000 of this has been projected forward.
- Works on the Crescent Road Car Park Lifts (TIM) has commenced with materials delivered in March. Installation of these will now follow in early 2021/22 where the budget of £45,000 has been moved accordingly.
- £56,000 21st Century Way Cycle Route (TJA), funded from S106 developer contributions, is rescheduled to 2021/22.

- £76,000 for the Assembly Hall Means of Escape (THE) is rescheduled to 2021/22. The delay has been due to the Theatre being used as a testing centre during its closure as a result of the pandemic.
- Delay of the replacement Benhall Mill Depot (TJH) means the budget of £49,000 is to be carried forward to 2021/22.
- The Packs in the Wood Refurbishment (TJJ) is behind schedule, with works to be complete by June 2021. The unspent budget of £23,000 is to be moved to 2021/22 accordingly.
- Works have yet to start on the RVP Car Park Refurbishment (TJW) therefore £275,000 has been rescheduled to 2021/22.
- £5,000 of the remaining eStore Upgrade (TKA) budget is for hosting costs which are due in 2021/22.
- Works to the Crematorium Woodland Walk (TKC) have been carried out during the year; therefore the previously rescheduled budget of £17,000 has been moved to 2020/21.
- Part of the Digital Communications (TKF) has taken place during the year; an email newsletter and mailing list software was implemented in August 2020. The procurement of the engagement and consultation software is expected to take place in summer 2021. The remaining budget of £18,000 has been rescheduled to 2021/22.
- The Christmas Lights (TKG) scheme has been delayed due to other work requirements taking priority. The installation of uplighters on Civic Way is now due to take place during 2021/22. The budget of £20,000 has been moved forward.
- Works to the Town Hall (TKL) roof has been delayed whilst the possibility of installing solar panels to some parts is investigated. The budget of £588,000 has been slipped to 2021/22 whilst this is in progress.
- The Great Hall Car Park (TKN) scheme has been delayed whilst consultants work on designs of the remedial works and cost estimates. The budget of £580,000 has been slipped forward to 2021/22.
- Similarly to the Town Hall roof works, the Assembly Hall Theatre (TKO) roof works have been delayed so that these two schemes can be procured together. The budget of £180,000 has been moved forward to the next financial year.
- The three Crescent Road Properties (TKQ) are currently in the process of being turned into flats. The requirement to spend the Homes England funding by the end of June has resulted in a budget of £138,000 being brought forward to 2020/21.

New Proposed Schemes

- 4.17 The Town Hall Yard Car Park (TLB) requires structural repairs to be carried out to remove health and safety risk and extend the lifespan of the building. A budget of £102,000 is required for 2021/22 in order to carry out these works. Details of this can be seen in Appendix E.

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.
- 4.21 During quarter 4 the following payments were received:
- £159,660.22 relating to 45 Whitefield Road, Tunbridge Wells
 - £155,014.35 relating to 31 Cambrian Road, Tunbridge Wells

These were as a result of staircasing, which is a process where an owner of a Shared Ownership property purchases further shares of the property from the housing association who owns the remaining part. The Council is due a clawback sum from these properties in the event of staircasing.

- 4.22 The completion of the land at Sychem Lane took place as planned on 31 March. Payment of £600,000 was received and the deposit of £100,000, received in June 2020, was also transferred to the capital receipts reserve.
- 4.23 The amounts above have been used to finance some of the capital projects, as can be seen in Appendix D.

Housing renewal Advances

- 4.24 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. £17,000 has been distributed this year, while £61,000 has been received year to date from repayments of previous loans.
- 4.25 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 F gives a summary of expenditure and receipts over the last 6 years.

Section 106 Developer Funding

- 4.26 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 2021 is £5,844,000. Of this sum, £1,302,000 has been approved and allocated by Cabinet for various capital projects.
- 4.27 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 G summarises the allocation of Section 106 money and also analyses the dates on which these agreements expire.
- 4.28 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.

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 8 June 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 4 2020/21
- Appendix C: Net capital budgets and payments for Quarter 4 2020/21
- Appendix D: Summary of expenditure and funding for the 4 years to 2023/24
- Appendix E: Capital Application Form – Town Hall Yard Car Park
- Appendix F: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix G: 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>
- Quarter 3 2020/21 Capital Management to 31 December 2020 – CAB 109/20
<https://democracy.tunbridgewells.gov.uk/documents/s53768/9%20Capital%20Q3%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