

Quarter 2 – Capital Management to 30 September 2021

For Cabinet on 2 December 2021

Summary

Lead Member: Councillor Tom Dawlings, Leader of the Council (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	3 November 2021 (Verbal update)
Portfolio Holder	15 November 2021
Finance & Governance Cabinet Advisory Board	16 November 2021
Cabinet	2 December 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 notes 4.3 to 4.5.
3. That Cabinet approve the proposed movement between years set out in note 4.6.

1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 30 September 2021. The total capital expenditure is forecast to be £17,767,000, a net decrease of £1,057,000 from the previously approved budgets. This consists of a decrease of £1,697,000 in spending rescheduled to 2022/23 and a net increase in the forecast projected spend of £640,000.

2. Capital Management to 30 September 2020

- 2.1 At their meeting on 11 March 2021, Cabinet approved schemes to be met from the Capital Programme for the years 2021/22 to 2023/24.
- 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 £13,811,000 during that period, of which £12,103,000 was to be spent during 2021/22.
- 2.3 As shown in Appendix A, the approved programme for 2021/22 moved to £18,325,000 by the end of the 2020/21 financial year, accounting for new schemes, deletions and deferrals into future years and was approved by Cabinet on 24 June 2021.
- 2.4 As the Capital Programme is a 4 year rolling plan an additional £854,000 has been included for approval for 2024/25. This consists of Disabled Facilities Grants and Housing Renewal advances.
- 2.5 New movements for 2021/22 are now forecasting an outturn of £17,767,000.
- 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 2022, while Appendix D summarises the movement in approvals and in sources of finance for the year.
- 2.7 Approval is sought for an increase in the capital programme of £640,000 for 2021/22 (see notes 4.3 to 4.5).
- 2.8 Approval is also sought for £1,697,000 gross expenditure to be deferred into 2022/23 (see note 4.6).
- 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 1 2021/22. 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 2021/22. 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 109/20). 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 £5,139,000 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 £17,767,000.

Variations requiring approval

- 4.3 The final works to the Mobile Responsive Website (TFV) are to be completed in house and therefore the remaining budget of £4,000 is no longer required.
- 4.4 A further Affordable Housing Grant (THS) has gained Portfolio Holder approval (effective from 01/10/21) and therefore £613,000 has been added to the budget. This is to be funded by Section 106 developer contributions.
- 4.5 Additional budget of £31,000 is required for the Town Hall Yard Car Park (TLB) due to a single tender response to the works needed being submitted, which is higher than the original budget requested. The Council is also able to claim 33% (£44,000) of the capital costs of the works from Town and Country Housing Group, which will be used to fund the scheme.

Schemes deferred to future years

- 4.6 There are three projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to 2022/23 (see Appendix B):
- £1,380,000 for Disabled Facilities Grants (TAC), unspent due to an increase in funding from the Department for Levelling Up, Housing and Communities (DLUHC formerly MHCLG) and a delay in delivering works due to the pandemic. This 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 the next financial year.
 - Again, a delay due to the pandemic has affected the issuing of the Housing Renewal Advances (TAD). Spend of £148,000 will be rescheduled to 2022/23 and in the meantime the funding will be transferred back to the Housing Renewal reserve.
 - Although electrical testing has now taken place, the subsequent replacement of Street Lighting Columns (TDD) has not yet commenced. The budget of £169,000 is to be moved to 2022/23 when the works should take place.

Capital Disposals

- 4.7 During quarter 1 total payments from capital disposals of £215,000 were received;
- Land at Speldhurst Road for £160,000
 - Land at Acer Cottage for £55,000

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.

- 4.8 The usable capital receipts unspent at the end of 2020/21 were £2,118,380, which will now be used to fund the capital programme for the coming year.
- 4.9 There have been no new capital disposals in Quarter 2.

Housing renewal Advances

- 4.10 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. £5,500 has been distributed this year, with £3,500 of this amount specifically for the Energy Efficiency scheme, while £51,200 has been received year to date from repayments of previous loans.

- 4.11 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

- 4.12 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 2021 is £7,186,000. Of this sum, £2,344,000 has been approved and allocated by Cabinet for various capital projects.
- 4.13 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.
- 4.14 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.
- 4.15 There are three amounts due to expire in 2021/22 totalling £77,000, which have been committed to spending on projects.

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 November 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 2 2021/22
- Appendix C: Net capital budgets and payments for Quarter 2 2021/22
- Appendix D: Summary of expenditure and funding for the 4 years to 2024/25
- Appendix E: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix F: Funding from Section 106 Agreements

Background Papers:

- 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>
- Quarter 4 2020/21 Capital Management to 31 March 2021 – CAB 19/21
<https://democracy.tunbridgewells.gov.uk/documents/s56058/Capital%20Q4%20Cabinet%20report%20202021.pdf>
- Quarter 1 2021/22 Capital Management to 30 June 2021 – CAB 62/21
<https://democracy.tunbridgewells.gov.uk/documents/s57329/Capital%20Q1%20Cabinet%20report%20202122.pdf>
- Budget 2021/22 and Medium Term Financial Strategy – CAB 90/20
https://democracy.tunbridgewells.gov.uk/documents/s53259/7%20Budget%202021_22.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.

Claudette Valmond, Interim 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