

Quarter 3 – Capital Management to 31 December 2021

For Cabinet on 17 March 2022

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	16 February 2022
Portfolio Holder	28 February 2022
Finance & Governance Cabinet Advisory Board	1 March 2022
Cabinet	17 March 2022

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 note the inclusion of new schemes into the capital programme as set out in notes 4.3 to 4.5.
3. That Cabinet approve the proposed movement between years set out in note 4.6
4. That Cabinet approve new Capital Applications detailed in Appendices L and M.

1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 31 December 2021. The total capital expenditure is forecast to be £12,240,000, a net decrease of £5,527,000 from the previously approved budgets. This consists of a decrease of £5,566,000 in spending rescheduled to 2022/23 and a new scheme with a forecast projected spend of £39,000. New schemes for 2022/23 total £349,000 to be noted, as approved by Cabinet as part of the budget.

2. Capital Management to 31 December 2021

- 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 £12,240,000.
- 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 also sought for £5,566,000 gross expenditure to be deferred into 2022/23 (see note 4.5).
- 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 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 2 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, September and December Cabinet meeting have been added to the figure then reported as total approvals as at Quarter 2.

Projected capital expenditure and funding for 2021/22

- 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 £2,887,000 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 £12,240,000.

New Proposed Schemes

- 4.3 As agreed in principle during the 2021/22 budget setting cycle an increased budget of £38,500 is now required to make repairs and improvements to the Cranbrook Museum (TLE). The additional costs are due to secondary damage and industry cost increases since the scheme was first approved. Details can be found in Appendix E.
- 4.4 The following new schemes for 2022/23 have been approved by Cabinet as part of the budget and will be considered by Full Council on the 23 February 2022. They will now be included in the Capital programme:
- The replacement of the Camden Centre Roof (TLF) at a cost of £204,000. These works would refurbish and upgrade the roof in order to minimise water ingress and further the anticipated lifespan of certain elements, as detailed in Appendix F.

- The replacement of the Assembly Hall Theatre Lighting Desk (TLG) costing £32,000. This includes cabling, installation and training on the new desk and back up system (see Appendix G).
- A new Parking Electric Van (TLH) for £24,500, which replaces one enforcement vehicle and includes the purchase of an associated EV charger. This scheme is to be funded from the On Street Parking Reserve, as shown in Appendix H.
- The Assembly Hall Theatre LED Lighting Upgrade (TLI) requiring a budget of £88,000. This will include a review of existing lighting fittings to upgrade where necessary to reduce operating costs (see Appendix I). The budget will be funded from the Invest to Save Reserve.

4.5 There are two additional schemes included for approval for Weald Leisure Centre Decarbonisation and North Farm Depot Decarbonisation (see Appendix L and Appendix M). These projects are mainly funded by Government grant.

Schemes deferred to future years

4.6 There are 20 projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to 2022/23 (see Appendix B):

- The Affordable Housing Grant (THS) budget of £956,000 is made up of three Section 106 Developer Contributions which are committed to schemes that have been slow to progress. It is hoped these will be paid over in 2022/23.
- Due to delays in making improvements to the Hilbert Football Pitch Drainage (THX) the budget of £49,000, which is also funded by Section 106 Developer Contributions, is deferred to 2022/23.
- £56,000 for the 21st Century Way Cycle Route (TJA), funded from Section 106 developer contributions, is rescheduled to 2022/23.
- £150,000 for the Assembly Hall Means of Escape (TJE) is rescheduled to 2022/23. There continues to be delays to the fire protection works, but works are ongoing and will continue in the new financial year.
- Works have stopped on the replacement Benhall Mill Depot (TJH) and as a result the budget of £700,000 is to be carried forward to 2022/23.
- The Power Supply for the Ice Rink (TJI) has not taken place during the year and therefore the budget of £176,000 will be moved to 2022/23.
- £23,000 for the Calverley Grounds Tennis (TJN) scheme, which has not been developed yet. This scheme is funded from Section 106 Developer Contributions.
- £1,083,000 for the Acquisition Sites Sports Strategy (TJR) of which is partially funded by Section 106 Developer Contributions.

- Works have only just begun on the RVP Car Park Refurbishment (TJW) therefore £730,000 has been rescheduled to 2022/23.
- The Camden Centre Changing Places (TKI) is delayed whilst options of the location of the facility are considered. In the meantime, the budget of £67,000 has been rescheduled to 2022/23.
- The Town Hall (TKL) roof works are underway and will almost be complete in this financial year. The remaining works will be completed early in 2022/23 therefore part of the budget, £320,000, has been moved accordingly.
- The Great Hall Car Park (TKN) structural works have not started and therefore the full budget of £850,000 has been moved forward to 2022/23.
- Similarly, refurbishment of 9/10 Calverley Terrace (TKP) has not progressed and the budget of £212,000 has moved into the next financial year.
- £20,000 for the Dunorlan Park Play Area (TKR), funded by Section 106 Developer Contributions, has not started and therefore has been moved to 2022/23.
- £17,000 for the Southwood Road Field Drainage (TKT), partially funded by Section 106 Developer Contributions, has not started and therefore has been moved to 2022/23.
- The FMS Upgrade (TKU) has yet to be committed as the resources that should have been working on this project have been working on Covid business grants. The budget of £47,000 has therefore been rescheduled to the next financial year.
- The replacement of the Great Hall Car Park Ventilation (TKW) System has not started and the budget of £35,000 will need to be carried forward accordingly.
- There is a delay in finalising the requirements for the Hawkenbury Pitch Lighting (TKZ), of which a budget of £15,000 is required. The budget has been moved to 2022/23 until a decision is made.
- The remainder of the North Farm Lane Resurfacing (TKZ) budget, which is £25,000, is to be moved forward to 2022/23 whilst the results of the drainage survey are considered.
- The Warwick Road Car Park (TLA) repairs are still being designed so, although this scheme is progressing, part of the budget totalling £35,000 is to be moved to 2022/23.

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 partially be used to fund the capital programme for the coming year.

4.9 There have been no new capital disposals in Quarter 2 or Quarter 3.

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. £5,600 has been distributed this year, with £3,500 of this amount specifically for the Energy Efficiency scheme, while £31,300 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 J 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 31 December 2021 is £7,574,000. 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 K 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 1 March 2022 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 2021/22
- Appendix C: Net capital budgets and payments for Quarter 3 2021/22
- Appendix D: Summary of expenditure and funding for the 4 years to 2024/25
- Appendix E: Capital Application Form 2021/22 Cranbrook Museum
- Appendix F: Capital Application Form 2022/23 Camden Centre Roof
- Appendix G: Capital Application Form 2022/23 Theatre Lighting Desk
- Appendix H: Capital Application Form 2022/23 Parking Electric Vehicle
- Appendix I: Capital Application Form 2022/23 Theatre LED Lighting

- Appendix J: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix K: Funding from Section 106 Agreements
- Appendix L: Weald Sports Centre Decarbonisation
- Appendix M: North Farm Depot Decarbonisation

Background Papers:

- Budget 2021/22 and Medium Term Financial Strategy – CAB 90/20
https://democracy.tunbridgewells.gov.uk/documents/s53259/7%20Budget%2021_22.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>
- 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>
- Quarter 2 2021/22 Capital Management to 30 September 2021 – CAB 62/21
<https://democracy.tunbridgewells.gov.uk/documents/s58531/12%20Capital%20Q2%20Cabinet%20report%20202122.pdf>
- Draft Budget 2022/23 and Medium Term Financial Strategy – CAB 100/21
https://democracy.tunbridgewells.gov.uk/documents/s58518/10%20Draft%20Budget%202022_23.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