

Quarter 2 – Capital Management to 30 September 2022

For Cabinet on 8 December 2022

Summary

Lead Member: Councillor Christopher Hall (Cabinet Member for Finance and Performance)

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	26 October 2022
Portfolio Holder	
Finance & Governance Cabinet Advisory Board	15 November 2022
Cabinet	8 December 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 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 note 4.5

1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 30 September 2022. The total capital expenditure is forecast to be £10,556,000, a net decrease of £7,237,000 from the previously approved budgets. This consists of a decrease of £7,193,000 in spending rescheduled to 2023/24 and a net decrease in the forecast projected spend of £44,000.

2. Capital Management to 30 September 2022

- 2.1 At their meeting on 17 March 2022, Cabinet approved schemes to be met from the Capital Programme for the years 2022/23 to 2024/25.
- 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 £12,110,000 during that period, of which £10,402,000 was to be spent during 2022/23.
- 2.3 As shown in Appendix A, the approved programme for 2022/23 moved to £18,982,000 by the end of the 2021/22 financial year, accounting for new schemes, deletions and deferrals into future years and was approved by Cabinet on 23 June 2022.
- 2.4 As the Capital Programme is a 4 year rolling plan an additional £1,280,000 was approved in Quarter 2, for 2025/26. This consists of Disabled Facilities Grants and Housing Renewal advances.
- 2.5 New movements for 2022/23 are now forecasting an outturn of £10,556,000.
- 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 2023, 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 £44,000 for 2022/23 (see notes 4.3 to 4.4).
- 2.8 Approval is also sought for £7,193,000 gross expenditure to be deferred into 2023/24 (see note 4.5).
- 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 2022/23. 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 2022/23. 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 148/21). The amounts approved for schemes at the June and September Cabinet meetings have been added to the figure then reported as total approvals as at Quarter 1.

Projected capital expenditure and funding for 2022/23

- 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 £5,528,000 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 £10,556,000.

Variations requiring approval

- 4.3 The budget of £56,000 for the 21st Century Cycle Route (TJA) relates to remaining Section 106 contributions due to Kent County Council. Discussions have been slow to progress and therefore the scheme has been removed from the capital programme until arrangements have been finalised.
- 4.4 An additional £12,000 is required to purchase the replacement Theatre Lighting Desk (TLG) due to supply issues and an increase cost of several of the components required.

Schemes deferred to future years

4.5 There are seven projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to 2023/24 (see Appendix B):

- £1,702,000 for Disabled Facilities Grants (TAC), an increase in funding from the DLUHC and a carry forward of funding from previous years 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.
- An application regarding the Power Supply for the Ice Rink (TJI) will shortly be submitted to the UK Power Network. Once a response is received and the scope of the work decided upon it is likely works will take place during the next financial year and therefore the budget of £176,000 will be moved to 2023/24.
- The Car Parks CCTV (TJX) is due to be installed in 2023/24 and the budget of £80,000 has been moved forward.
- Although electrical testing has now taken place, the subsequent replacement of Street Lighting Columns (TDD) has not yet commenced. The budget of £151,000 is to be moved to 2023/24 when the works should take place.
- The Asset Acquisition Fund (TDI) of £2,500,000 will be spent in 2023/24 and has been moved accordingly.
- £1,083,000 for the Acquisition Sites Sports Strategy (TJR) which is partially funded by Section 106 Developer Contributions.
- The Town Hall Conversion (TLN) will commence in the current financial year although £1,500,000 of the budget has been moved to 2023/24 when it is expected to be completed.

Capital Disposals

4.6 There have been no capital disposals up to Quarter 2.

4.7 The usable capital receipts unspent at the end of 2021/22 were £1,200,130, which will now be used to fund the capital programme for the coming year.

Housing renewal Advances

4.8 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. £28,000 has been distributed this year, with £1,200 of this amount specifically for the Energy Efficiency scheme,

while £25,900 has been received year to date from repayments of previous loans.

- 4.9 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

- 4.10 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 2022 is £9,763,000. Of this sum, £1,948,000 has been approved and allocated by Cabinet for various capital projects.
- 4.11 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.
- 4.12 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.
- 4.13 There is one amount that expired in 2021/22 of £51,000, which has been committed to spending on an affordable housing project.

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 November 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 2 2022/23
- Appendix C: Net capital budgets and payments for Quarter 2 2022/23
- Appendix D: Summary of expenditure and funding for the 4 years to 2025/26
- Appendix E: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix F: Funding from Section 106 Agreements

Background Papers:

- Budget 2022/23 and Medium Term Financial Strategy – CAB 130/21
https://democracy.tunbridgewells.gov.uk/documents/s59490/8%20Budget%20FC%202022_23.pdf
- Quarter 3 2021/22 Capital Management to 31 December 2021 – CAB 148/21
<https://democracy.tunbridgewells.gov.uk/documents/s60127/Capital%20Q3%20Cabinet%20report%20202122.pdf>
- Quarter 4 2021/22 Capital Management to 31 March 2022 – CAB 14/22
<https://democracy.tunbridgewells.gov.uk/documents/s61796/Capital%20Q4%20Cabinet%20report%20202122.pdf>
- Quarter 1 2022/23 Capital Management to 30 June 2022 – CAB 44/22
<https://democracy.tunbridgewells.gov.uk/documents/s63177/Capital%20Q1%20Cabinet%20report%20202223.pdf>
- In-Year Budget Review 2022/23
<https://democracy.tunbridgewells.gov.uk/ieListDocuments.aspx?CIId=118&MIId=5183&Ver=4>

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, 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