

# Capital Management: Quarter 1 (to 30 June 2023)

For Cabinet on 21 September 2023

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## 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	21 August 2023
Portfolio Holder	21 August 2023
Finance & Governance Cabinet Advisory Board	5 September 2023
Cabinet	21 September 2023

## 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.
3. That Cabinet approve the proposed movement between years set out in note 4.4.

# 1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 30 June 2023. The total capital expenditure is forecast to be £19,082,000, a net decrease of £2,874,000 from the previously approved budgets. This consists of a decrease of £3,204,000 in spending rescheduled to 2023/24 and a net increase in the forecast projected spend of £330,000.

## 2. Capital Management to 30 June 2023

- 2.1 At their meeting on 23 March 2023, Cabinet approved schemes to be met from the Capital Programme for the years 2023/24 to 2025/26.
- 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 £16,984,000 during that period, of which £12,594,000 was to be spent during 2023/24.
- 2.3 As shown in Appendix A, the approved programme for 2023/24 moved to £21,956,000 by the end of the 2022/23 financial year, accounting for new schemes, deletions and deferrals into future years and was approved by Cabinet on 22 June 2023.
- 2.4 As the Capital Programme is a 4 year rolling plan an additional £1,280,000 has been included for approval for 2026/27. This consists of Disabled Facilities Grants and Housing Renewal advances.
- 2.5 New movements for 2023/24 are now forecasting an outturn of £19,082,000.
- 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 2024, 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 £330,000 for 2023/24 (see note 4.3).
- 2.8 Approval is also sought for £3,204,000 gross expenditure to be deferred into 2024/25 (see note 4.4).
- 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 4 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 4 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 144/22). The amounts approved for schemes at the June Cabinet meeting have been added to the figure then reported as total approvals as at 1<sup>st</sup> April 2023.

#### **Projected capital expenditure and funding for 2023/24**

- 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 £10,865,000 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 £19,082,000.

#### **Variations requiring approval**

- 4.3 At their meeting on 27 October 2022, Cabinet approved (CAB 68/22) the recommendation that the Council make additional funding of £330,400 available for the Weald Sports Centre Decarbonisation (TLK) to demonstrate its intention to meet the SALIX funding requirement that the project is not proceeding at risk.  
  
Cabinet (CAB 80/22), at their meeting of 17<sup>th</sup> November 2022, subsequently agreed that £110,901 from The Rural England Prosperity Fund could be used to part fund the £330,400, with the remaining £219,499 coming from the Capital and Revenue Initiatives Reserve.

## Schemes deferred to future years

4.4 There are five projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to 2024/25 (see Appendix B):

- £1,994,000 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.
- Although electrical testing has been carried out, the subsequent replacement of Street Lighting Columns (TDD) has not yet commenced. The budget of £163,000 is to be moved to 2024/25 when the works should take place.
- The Great Hall Car Park (TKN) structural works have not begun, but a decision will be made shortly as to whether these refurbishment works will commence. If they do, the majority of the work will be in carried out 2024/25 so £800,000 has been moved forward.
- The future use of 9/10 Calverley Terrace is undecided, therefore the budget of £211,000 has been moved until there is clarification.
- The replacement of the Great Hall Car Park Ventilation (TKW) System will take place at the same time as any refurbishment works so the budget of £35,000 has been carried forward to 2024/25.

## Capital Disposals

4.5 There have been no capital disposals in Quarter 1.

4.6 The usable capital receipts unspent at the end of 2022/23 were £30,830, which will now be used to partially fund the capital programme for the coming year.

## Housing Renewal Advances

4.7 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. £1,900 has been distributed this year specifically for the Energy Efficiency scheme, while £8,020 has been received year to date from repayments of previous loans.

4.8 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**

- 4.9 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 June 2023 is £10,976,000. Of this sum, £4,148,000 has been approved and allocated by Cabinet for various capital projects.
- 4.10 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.
- 4.11 The expired contribution of £47,000 from 2019/20 relates to transport improvements in the vicinity of Fountains Retail Park. The Council has agreement from the developer to undertake an alteration or addendum to the S106 agreement to use this funding for another purpose. The Head of Planning and the developer are currently discussing proposals for that revised purpose.

## **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 5 September 2023 and agreed that the recommendations set out in the report be supported.

## **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 1 2023/24
- Appendix C: Net capital budgets and payments for Quarter 1 2023/24
- Appendix D: Summary of expenditure and funding for the 4 years to 2026/27
- Appendix E: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix F: Funding from Section 106 Agreements

#### Background Papers:

- Budget 2023/24 and Medium Term Financial Strategy – CAB 113/22  
<https://democracy.tunbridgewells.gov.uk/documents/s65146/Budget%20FC%202023%2024%20-%20with%20CT%20premiums.pdf>
- Quarter 3 2022/23 Capital Management to 31 December 2022 – CAB 144/22  
<https://democracy.tunbridgewells.gov.uk/documents/s66146/Capital%20Q3%20Cabinet%20report%20202223.pdf>
- Quarter 4 2022/23 Capital Management to 31 March 2023 – CAB 12/23  
<https://democracy.tunbridgewells.gov.uk/documents/s67155/Capital%20Q4%20Cabinet%20report%20202223%20V2.pdf>
- Weald Sports Centre De-Carbonisation Works – CAB 68/22  
<https://democracy.tunbridgewells.gov.uk/documents/s63567/2022.10.27%20Cabinet%20report%20Weald.pdf>
- Rural England Prosperity Fund – CAB 80/22  
<https://democracy.tunbridgewells.gov.uk/documents/s64022/Rural%20England%20Prosperity%20Fund.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, 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