

**Capital Management Report:
Quarter 3 (to 31 December 2018)**

Final Decision-Maker	Cabinet
Portfolio Holder(s)	Councillor David Reilly – Portfolio Holder for Finance and Governance
Lead Director	Lee Colyer – Director of Finance, Policy and Development
Head of Service	Jane Fineman – Head of Finance and Procurement
Lead Officer/Author	Lisa Sedge – Service Accountant
Classification	Non-exempt
Wards affected	All

This report makes the following recommendations to the final decision-maker:

1. That the actual gross and net expenditure for the year and the sources of finance as shown in Appendices B to D to the report be noted;
2. That the proposed movement between years set out in paragraph 4.3 be approved;
3. That the proposed variations to the 2018/19 Capital programme, set out in paragraphs 4.4 to 4.13, be approved; and
4. That the new proposed schemes for 2019/20 to be approved by full Council, to be included in the capital programme as set out in paragraph 4.14, be approved.

This report relates to the following Five Year Plan Key Objectives:

This report supports all of the Key Objectives. Managing and forecasting capital expenditure effectively is vital in order to support all of the services provided by the Council.

Timetable

Meeting	Date
Management Board	30 January 2019 (Verbal Update)
Discussion with Portfolio Holder	12 February 2019
Cabinet Advisory Board	12 February 2019 (Verbal Update)
Cabinet	7 March 2019

Capital Management Report: Quarter 3 (to 31 December 2018)

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 31 December 2018. The total capital expenditure is forecast to be £14,042,610, a net decrease of £5,236,480 from the previously approved budgets. This consists of a decrease of £4,513,200 in spending rescheduled to 2019/20 and a net decrease in the forecast projected spend of £723,280. New schemes from 2019/20 to 2020/21 total £2,643,340 to be approved.
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2. INTRODUCTION AND BACKGROUND

- 2.1 At their meeting on 1 March 2018, Cabinet approved schemes to be met from the Capital Programme for the years 2018/19 to 2020/21.
- 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 £71,905,000 during that period, of which £7,363,000 was to be spent during 2018/19.
- 2.3 As the Capital Programme is a 4 year rolling plan an additional £914,000 has now been approved. This consists of Disabled Facilities Grants, Housing Renewal advances, and IT Strategy. A further £35,000,000 was agreed at Full Council 6 December 2017 for the Calverley Square project TIJ (FC50/17).
- 2.4 As shown in Appendix A, the approved programme for 2018/19 moved to £12,096,000 by the end of the 2017/18 financial year, accounting for new schemes, deletions and deferrals into future years and was approved by CAB71/18 on 21 June 2018.
- 2.5 New movements for 2018/19 are now forecasting an outturn of £14,042,610.
- 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 2019, whilst 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 £5,236,480 (see notes 4.3 to 4.13).
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3. AVAILABLE OPTIONS

- 3.1 Retain the approved rolling capital programme as at the end of Quarter 2. 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. These projections help to manage the public finances effectively which support the objectives and priorities of the Council.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

New Budget Approvals

- 4.1 Appendix A shows how the approved capital expenditure has evolved since the programme was first agreed (CAB 147/17). The amounts approved for schemes at the June, September and December Cabinet meetings have been added to the figure then reported as total approvals to date.

Projected capital expenditure and funding for 2018/19

- 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 £5,820,000 will be required from earmarked reserves, Usable Capital Receipts Reserve, Sale of Fixed Assets, or borrowed funds to deliver the complete capital programme of £14,042,610.

Schemes deferred to future years

- 4.3 There are 10 projects where implementation has been rescheduled, and Cabinet approval is requested to defer these budgets to future years (see Appendix B):
- £8,000 for Lamberhurst Flood Protection (TDP) is not required in 2018/19. This is funded by a grant from the Environment Agency.
 - £10,000 budget for the Mobile Responsive website (TFV) is to be used in conjunction with the new website theme which will be launched in 2019/20.
 - £80,000 budget for the Single Customer Account scheme (TGQ) will be used to complete the installation in 2019/20.
 - The Car Park Payments System scheme (TGX) has funded machines for the RVP and Great Hall car park in previous years and Crescent Road in 2018/19. The budget of £42,000 is needed for Torrington car park which is rescheduled into 2019/20.
 - Torrington Car Park LED lighting (THY), work is rescheduled and therefore the £102,000 budget moved to 2019/20.
 - Hilbert Football Pitch Draining (THX) has not yet been implemented and is scheduled to start early next year after the Football season. The budget of £41,000 is moved to 2019/20.

- Dunorlan Park Lake (TIW) work is scheduled to start after the ecology survey has been completed and therefore the £47,000 budget has been moved to 2019/20.
- £883,000 of the Public Realm Improvements (TGH) budget will be needed to complete phase 2 of the scheme in 2019/20.
- £2,000,000 of the Cultural Hub budget will not be spent in 2018/19 and the spend has been rescheduled into 2019/20.
- £1,300,000 of the budget for the Crescent Road Extension is required to complete the project in 2019/20.

Variations requiring approval

- 4.4 Additional Disabled Facilities Grant funding (TAC) of £146,000 has been allocated from Central Government and the spend has been increased accordingly.
- 4.5 Crescent Road Car Park Refurbishment (THZ) is now almost complete and the remaining budget of £262,000 is no longer expected to be required.
- 4.6 £29,000 budget for the Town Hall Fire Alarm system (TIA) has been submitted into a new capital application for 2019/20 for the increased cost to replace the existing fire alarm system as set out in Appendix J.
- 4.7 The works on the RVP Car Park Extractor Fans (TIB) has been contracted. A saving of £34,000 was achieved, which is reflected in the figures requiring approval.
- 4.8 The remaining budget of £19,000 for Benhall Mill Road Clearance (TII) is no longer required as the scheme has completed under budget.
- 4.9 £30,000 Parking Scanner (TIR) is no longer needed as a much less expensive solution was found and purchased through the Revenue budget.
- 4.10 A reduction in the budget of £753,000 for the Cultural Hub project. This was approved by Cabinet in December (CAB119/18) and adjusts the gross budget for the project although the net contribution from Tunbridge Wells remains the same.

New Proposed Schemes

- 4.11 A budget of £220,000 is required for essential health and safety works to improve the means of escape from the Assembly Hall Theatre (TJE) as set out in Appendix T.
- 4.12 £19,360 is required for the purchase of a Civil Enforcement System (TJF) which will enable comprehensive enforcement of environmental offences in-house as set out in Appendix R.

4.13 A budget of £19,790 is required to digitalise and integrate the Artifax Booking System (TJG) for the Council as set out in Appendix S.

New Schemes

4.14 The following new schemes for 2019/20 onwards have been approved by cabinet as part of the budget and will be considered by Full Council on 27th February. They are shown here in further detail and will now be included in the Capital Programme:

- £688,000 for the design and build of a new depot on the Benhall Mill site releasing the remainder of the site for residential development as outlined in Appendix G.
- £176,000 for a Permanent Power Supply for the Ice Rink in Calverley Grounds to be funded by the Ice Rink Reserve as outlined in Appendix H.
- £105,800 for the refurbishment of a residential property known as Packs in the Woods to enable re-letting as outlined in Appendix I.
- £88,000 to replace all of the existing Town Hall Fire Alarm system as outlined in Appendix J.
- £12,000 to procure and install Video Conferencing Equipment for use in Committee Rooms, this will be fully funded from the Digital Transformation Reserve as outlined in Appendix K.
- £41,860 for the refurbishment of Southwood Road Play Area to be fully funded by section 106 developer contributions, as set out in Appendix L.
- £42,680 for the refurbishment of Calverley Grounds Tennis Courts and supply of Outdoor Gym Equipment to be fully funded by section 106 developer contributions, as set out in Appendix M.
- £150,000 for the replacement of Street Lighting Columns and Lanterns as outlined in Appendix N.
- £216,000 for the acquisition of Access Land at Hornbeam Avenue as outlined in Appendix O.
- £40,000 to purchase Asset Management Software as outlined in Appendix P.
- £1,083,000 for the acquisition of 3 sites as part of the sports strategy as set out in Appendix Q. This will be partly funded by section 106 developer contributions.

Capital Receipt

4.15 During the quarter total payments from capital disposals of £309,000 were received;

- Land at rear 60 Calverley road for £5,000
- Land at 120 London road for £3,000
- Land at Blackthorne avenue for £301,000

An amount of £1,025,000 remains of the total that was transferred to the Usable Capital Receipts Reserve last year and has been allocated to 2018/19 capital projects, as can be seen in Appendix D.

Housing Renewal Advances

4.16 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. £28,984 has been distributed this year, of which £5,330 has been distributed from the Kent County Council funded Winter Warmth scheme. £59,262 has been received year to date from repayments of previous loans.

4.17 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 for all future advances. Appendix E gives a summary of expenditure and receipts over the last 6 years.

Section S106 Developer Funding

4.18 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 2018 is £1,844,000. Of this sum, £335,000 has been approved and allocated in 2018/19 by Cabinet for various capital projects.

4.19 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.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

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 and Governance Cabinet Advisory Board were given a verbal update on this decision on 12 February 2019 and made no further comment on the recommendations.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Finance will communicate decisions to the appropriate services and reflect the budget changes in the financial management system.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Legal including 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
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
Staffing establishment	None	Lisa Sedge, Service Accountant
Risk management	To ensure that spending on the capital programme is in line the Council's Medium Term Financial Strategy.	Lisa Sedge, Service Accountant
Environment and sustainability	No implications	Lisa Sedge, Service Accountant
Community safety	No implications	Lisa Sedge, Service Accountant
Health and Safety	No implications	Lisa Sedge, Service Accountant
Health and wellbeing	No implications	Lisa Sedge, Service Accountant

Equalities	No implications	Lisa Sedge, Service Accountant
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8. REPORT APPENDICES

The following documents are to be published with and form part of the report:

- Appendix A: Gross capital expenditure previously approved
- Appendix B: Gross capital budgets and actual expenditure for Quarter 3 2018/19
- Appendix C: Net capital budgets and payments for Quarter 3 2018/19
- Appendix D: Summary of expenditure and funding for the 4 years to 2021/22
- Appendix E: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix F: Funding from Section 106 Agreements
- Appendix G: Capital Application Form: Benhall Mill Depot
- Appendix H: Capital Application Form: Power Supply for Ice Rink in Calverley Park
- Appendix I: Capital Application Form: Refurbishment of Packs in the Woods
- Appendix J: Capital Application Form: Town Hall New Fire Alarm
- Appendix K: Capital Application Form: Video Conferencing Equipment
- Appendix L: Capital Application Form: Southwood Road Play Area Refurbishment
- Appendix M: Capital Application Form: Calverley Grounds Tennis Courts
- Appendix N: Capital Application Form: Street Lighting Columns
- Appendix O: Capital Application Form: Acquisition of Access Land at Hornbeam
- Appendix P: Capital Application Form: Asset Management Software
- Appendix Q: Capital Application Form: Acquisition of 3 sites as part of the sports strategy:
- Appendix R: Capital Application Form: Civil Enforcement System
- Appendix S: Capital Application Form: Artifax Digital Transformation
- Appendix T: Capital Application Form: Assembly Hall Theatre Fire Escape

9. BACKGROUND PAPERS

- Quarter 4 2017/18 Capital Management to 31 March 2018 – CAB 20/18:
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s38122/13%20Capital%20Management%20Report%20Q4.pdf>

- Budget 2018/19 and Medium Term Financial Strategy Update – CAB 130/17
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s36314/11%20Budget%202018-19%20and%20Medium%20Term%20Financial%20Strategy%20Update.pdf>
- Quarter 1 2018/19 Capital Management to 30 June 2018 – CAB 71/18
<http://democracy.tunbridgewells.gov.uk/meetings/ieListDocuments.aspx?CId=118&MId=4189&Ver=4>
- Quarter 2 2018/19 Capital Management to 30 September – CAB114/18
<http://democracy.tunbridgewells.gov.uk/meetings/documents/s40658/15%20Capital%20Management%20Report%20Q2.pdf>