

# Quarter 3 – Capital Management to 31 December 2022

For Cabinet on 23 March 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	20 February 2023
Portfolio Holder	6 March 2023
Finance & Governance Cabinet Advisory Board	7 March 2023
Cabinet	23 March 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 notes 4.3 to 4.9.
3. That Cabinet note the inclusion of new schemes into the capital programme as set out in notes 4.10 to 4.11.

4. That Cabinet approve the proposed movement between years set out in note 4.12.

# 1. Introduction and Background

- 1.1 This report summarises the actual and forecast outturn expenditure on capital schemes as at the 31 December 2022. The total capital expenditure is forecast to be £8,374,000, a net decrease of £2,182,000 from the previously approved budgets. This consists of a decrease of £1,844,000 in spending rescheduled to 2023/24 and a net decrease in the forecast projected spend of £338,000.

## 2. Capital Management to 31 December 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 £8,374,000.
- 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 £338,000 for 2022/23 (see notes 4.3 to 4.10).
- 2.8 Approval is also sought for £1,844,000 gross expenditure to be deferred into 2023/24 (see note 4.12).
- 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 2 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 2 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, September and December Cabinet meetings have been added to the figure then reported as total approvals as at Quarter 2.

#### **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 £3,989,000 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 £8,374,000.

#### **Variations requiring approval**

- 4.3 The Single Customer Account (TGQ) systems are now in place and therefore the remaining budget of £3,000 is no longer required.
- 4.4 The Affordable Housing Grant (THS) has been reduced by £292,000. The funding had been previously approved by Cabinet to support the provision of five social rental units on a site. However, the developer elected instead to provide five units of shared ownership properties to comply with the affordable housing requirement of the planning consent reference 20/01807/FULL. The scheme has been removed from the capital programme, the budget has been reduced accordingly and the section 106 developer funding retained for future use to fund the provision of affordable housing.

- 4.5 The Town Hall Roof (TKL) works are now complete, and the amount allowed for as a contingency was not required, resulting in an underspend of £100,000. The amount required from borrowing used to fund this scheme will reduce accordingly.
- 4.6 The Assembly Hall Roof (TKO) was also completed without the need to use the contingency budget of £9,000, which will also reduce borrowing.
- 4.7 Further investigations into the works required in the Warwick Road Car Park (TLA) have shown the initial of budget of £50,000 to be insufficient. Additional budget of £115,000 is needed to carry out the works.
- 4.8 The Town Hall Yard Car Park (TLB) was underbudget by £66,000 and therefore can now be removed as the works are finished.
- 4.9 A new Parking Electric Van (TLH) was purchased at a cost £4,000 over the approved budget. This is to be funded by the On Street Parking reserve.

## **New Proposed Schemes**

- 4.10 Part of the UK Shared Prosperity Fund (TLO), received from the DLUHC, has been allocated for capital spending. £15,000 is due to be spent in the current financial year with the remaining £230,000 to be spent in the subsequent two. This will be used to improve town centres, high streets and local sports facilities. Approval for this was provided at Cabinet meeting dated 20 July 2022 (CAB 31/22).
- 4.11 The following new schemes for 2023/24 have been approved by Cabinet as part of the budget and will be considered by Full Council on the 1 March 2023. They will now be included in the Capital programme:
- IT Strategy (TIF); a budget of £80,000 to replace laptops and network switches. Details of this can be found in Appendix E.
  - Crematorium Welfare Facility (TLP); £23,000 for a container unit providing shower and changing facilities for staff members, as shown in Appendix F.
  - Crescent Road Car Park Cladding (TLQ); a total of £2,090,000 to carry out the installation of resin ties to all concrete cladding panels and installation of a new guardrail. £455,000 of this will be spent in 2023/24 and the remainder in 2024/25, as detailed in Appendix G.
  - Crescent Road Car Park Switchgear (TLR); £35,000 for the replacement of the head end power supply switchgear, which is now obsolete. See Appendix H.

## Schemes deferred to future years

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

- £127,000 for the Housing Renewal Advances (TAD) specific to the energy efficiency scheme, of which demand is likely to increase in 2023/24 in light of increased energy costs households are facing.
- The Benhall Mill Depot (TJH) replacement has been deferred whilst a decision is made on the scheme and its funding. The budget of £177,000 has been rescheduled and will be added to the £600,000 already moved forward in the Quarter 1 report.
- £730,000 for the RVP Car Park Refurbishment (TJW), leaving a budget of £100,000 to cover consultancy in the current financial year.
- A scheme is currently being developed for the Cinderhill Site which will incorporate the Cinderhill Sewerage System (TKD) if approved. The budget of £32,000 will be moved forward to 2023/24.
- The future use of 9/10 Calverley Terrace has not been decided yet, therefore the budget of £211,000 has been moved accordingly.
- The Southwood Road Field Drainage (TKT) is to be completed once the football season has ended in May, in addition to the normal end of season renovations. The budget of £17,000 is to be moved to 2023/24.
- The Cinderhill Water Meters (TKV) will also be incorporated into the larger scheme, as per the point above, so the £20,000 budget is to be moved to 2023/24.
- £29,000 for the North Farm Lane Resurfacing (TKZ), which is on hold whilst a decision is made on the scope of the improvements.
- Due to deferrals in the Town Hall Conversion (TLN), £500,000 of the budget is to be moved to 2023/24.

## Capital Disposals

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

4.14 During Quarter 3 a payment for the removal of a restrictive covenant for the land at 4 Barnetts Way of £40,000 was received.

This amount was transferred to the capital receipts reserve and used to finance capital projects, as can be seen in Appendix D.

4.15 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

- 4.16 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. £29,600 has been distributed this year, with £3,600 of this amount specifically for the Energy Efficiency scheme, while £68,100 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 and will for all future advances. Appendix I gives a summary of expenditure and receipts over the last 6 years.

## Section 106 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 31 December 2022 is £9,763,000. Of this sum, £1,656,000 has been approved and allocated 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 J summarises the allocation of Section 106 money and also analyses the dates on which these agreements expire.
- 4.20 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.
- 4.21 There is one amount that was committed prior to its expiry in 2021/22 of £51,000, which has been committed to spending on an affordable housing project, and is expected to be spent before 31 March 2023.

## 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 7 March 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 3 2022/23
- Appendix C: Net capital budgets and payments for Quarter 3 2022/23
- Appendix D: Summary of expenditure and funding for the 4 years to 2025/26
- Appendix E: Capital application form 2023/24 ICT
- Appendix F: Capital application form 2023/24 Crematorium Welfare Facility
- Appendix G: Capital application form 2023/24 Crescent Road CP Cladding
- Appendix H: Capital application form 2023/24 Crescent Road CP Switch Gear
- Appendix I: Housing Renewal Grants – Summary of loans issued and repaid
- Appendix J: 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](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>
- In-Year Budget Review 2022/23 – CAB 28/22



<https://democracy.tunbridgewells.gov.uk/ieListDocuments.aspx?CId=118&MId=5183&Ver=4>

- 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>
- UK Shared Prosperity Fund – CAB 31/22  
<https://democracy.tunbridgewells.gov.uk/documents/s62399/Shared%20Prosperity%20Fund%20Report.pdf>
- Quarter 2 2022/23 Capital Management to 30 September 2022 – CAB 95/22  
<https://democracy.tunbridgewells.gov.uk/documents/s64388/Capital%20Q2%20Cabinet%20report%20202223.pdf>
- Budget 2023/24 and Medium-Term Financial Strategy  
[https://democracy.tunbridgewells.gov.uk/documents/s64871/Budget%20FC%202023\\_24.pdf](https://democracy.tunbridgewells.gov.uk/documents/s64871/Budget%20FC%202023_24.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