

# **TONBRIDGE AND MALLING BOROUGH COUNCIL**

## **Capital Strategy**

### **1 Introduction**

- 1.1 The purpose of the Capital Strategy is to document the principles and framework that underpin the Council's capital investment and expenditure proposals. The Strategy is drawn up under the framework provided by the Local Government Act 2003 and its associated regulations.
- 1.2 The principal aim of the Capital Strategy is to provide a context for a programme of capital investment (known as the Capital Plan) that will assist in the achievement of the Council's strategic priorities and objectives. The Capital Plan is published in the Council's [budget book](#) and available on the Council's website.
- 1.3 The component elements of the Capital Strategy comprise:
- A statement of the financial context within which the Council needs to determine its approach to capital investment (Section 2).
  - A description of the legislative framework and its associated regulations that will influence capital investment decisions (Section 3).
  - An explanation of the direct relationship between capital investment decisions and the Council's strategic priorities and objectives (Section 4).
  - The key principles supporting the Capital Strategy (Section 5).
  - Consideration of various partnership arrangements (Section 6).
  - Explanation of the processes to be followed in the implementation and management of the Capital Strategy (Section 7).
  - The Capital Plan (Section 8).
  - Post implementation reviews (Section 9).

### **2 The Financial Context**

- 2.1 Key financial statistics are:

Net Budget Requirement <b>2023/24</b>	<b>£15.36 million</b>
Government Grant / Business rates excluding New Homes Bonus <b>2023/24</b>	<b>£4.4 million</b>
Borough Council Band D Charge <b>2023/24</b>	<b>£231.23</b>
Capital Plan <b>2023/24</b> to <b>2028/29</b> (Gross expenditure)	<b>£18.97 million</b>
Fixed Assets at 31 March <b>2023</b>	<b>£92.85 million</b>
Debt Outstanding at 31 March <b>2023</b>	Nil
Revenue Reserve for Capital Schemes at 31 March <b>2023</b>	<b>£7.88 million</b>

- 2.2 The Medium Term Financial Strategy (MTFS) together with the Council's strategic priorities and objectives along with the established criteria used to guide the inclusion of capital plan schemes and the Prudential Code (see paragraph 3.1) form the basis for any capital investment decisions. The MTFS was used to guide the selection of new Capital Plan schemes in recent years

and will continue to be a major influence on the **2023/24** and subsequent Capital Plan reviews. The MTFS is updated at least once a year and the latest version is published on the Council's website.

- 2.3** Capital receipts derived from the sale of capital assets (generally land and buildings) can only be used to repay debt or finance new capital expenditure. The Council's assets are reviewed on a regular basis to identify the potential for alternative use or disposal. To assist with the Council's savings and transformation agenda Members agreed, Council February 2017 and 2018, that amounts (revenue resources) equivalent to the disposal proceeds from existing assets and other windfalls may be invested in externally managed property funds. ***£9.3m, has been invested into externally managed property and multi asset funds in order to increase the financial income to the Council.***
- 2.4 The demographic and economic features of the Borough give rise to a realistic assessment of very limited opportunities to attract funds from national and regional sources. Nevertheless, the Council will continue to investigate and exploit external funding opportunities.
- 2.5 Capital expenditure is currently funded from the revenue reserve for capital schemes (RRCS) grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.
- 2.6 All government support for the Council's capital expenditure is by way of capital grant. Government support through capital grants is usually ring-fenced for specific purposes. It is the Council's intention to try to secure capital grants, wherever possible, for schemes which advance the Council's strategic priorities and objectives.
- 2.7 There is also an annual contribution to the revenue reserve for capital schemes** to match the funding required for the replacement of existing assets (vehicles, plant and equipment) as well as recurring capital expenditure. **The contribution in 2024/25 is £1.065m.**
- 2.8 There is an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. The annual capital allowance *is currently* set at £250,000 *per annum*. Based on current projections the Council may need to borrow to fund such expenditure from **2029/30 onwards**. Priority is afforded to schemes that meet legislative requirements, address health & safety concerns, generate income or reduce the Council's revenue costs.
- 2.9 However, at its meeting on 5 December following receipt of a VAT 'windfall', Cabinet recommended to Full Council that a further £750,000 be added to the revenue reserve for capital schemes in 2023/24 for use in later years to allow additional approved schemes to proceed. The capital allowance will go back £250,000 in due course.

- 2.10 The above does not preclude a decision to borrow *at any time* in order to fund in full or in part *capital* investment *if deemed appropriate*.

### **3 Legislative Framework and its associated regulations**

- 3.1 The legislative framework is set out by the Local Government Act 2003 and its subsidiary regulations. This framework provides for a prudential system based on borrowing limits set by each individual local authority. Under this system, local authorities must have regard to affordability, prudence and sustainability and must follow the “Prudential Code for Capital Finance in Local Authorities” published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice is adopted and that a number of prudential indicators are set.
- 3.3 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt.
- 3.4 Another key element of the legislative framework is the duty to secure economy, efficiency and effectiveness in the Council’s use of resources. Achieving value for money is addressed in Section 5 of the Strategy as one of the key principles to be applied in capital investment decisions.

### **4 Strategic Priorities**

- 4.1 Capital plan schemes should emerge from, or be designed to achieve, the Council’s strategic priorities and objectives set out in overview in the Corporate Strategy 2023/2027. The Strategy sets out a vision “To be an innovative and forward-thinking council, that leads the people and businesses of the borough towards a vibrant, prosperous and sustainable future” and states the values the council believes are key to achieving this – innovation, transformation and delivery.
- 4.2 The Corporate Strategy sets out four priority areas:
- Efficient services for all our residents, maintaining an effective council
  - Sustaining a borough which cares for the environment

- Improving housing options for local people whilst protecting our outdoor areas of importance
  - Investing in our local economy.
- 4.3 The Corporate Strategy and its action plan is supported by a wide range of Strategies and Plans where specific improvement projects and initiatives are cascaded down into section plans across the Council. These section and other plans also cover a range of other priorities, improvements and indicators that are set and managed by individual services.
- 4.4 The Council's capital investment decisions should be in support of its strategic priorities and objectives along with the established criteria used to guide the inclusion of capital plan schemes, and this is an integral part of the evaluation process for each project under consideration. No project should proceed to inclusion within the Capital Plan unless it furthers achievement of the Council's strategic priorities and objectives.

## 5 Principles Supporting the Capital Strategy

- 5.1 The key principles that underpin the Council's Capital Strategy are:
- 5.2 **Strategic Priorities.** Establishment of a direct relationship with the Council's strategic priorities and objectives, with a Capital Plan based upon investment needs and prioritised on an authority-wide basis. This demonstrates an explicit link with key strategic planning documents and recognition of the need for a corporate approach to cross-cutting issues such as the environment, social inclusion, affordable housing, economic regeneration and community safety.
- 5.3 **Public Consultation.** The use of public consultation is, indirectly, an important part of developing the Capital Plan through its use in setting priorities and developing strategies, which may lead to capital projects coming forward.
- 5.4 **Other Consultation.** As well as individuals communicating directly with Council Officers and Members, other conduits exist for expressing views to the Council. The Parish Partnership Panel, the Tonbridge Community Forum, the Tonbridge Sports Association, and customer panels at leisure facilities allow specific persons or groups of users to express their views.
- 5.5 **Partnerships.** Partnership initiatives are considered in Section 6 including the West Kent Partnership and the Community Safety Partnership which help shape policy objectives, and which aim to deliver projects in conjunction with others.
- 5.6 **Procurement Strategy.** The [Procurement Strategy](#) seeks to ensure that good procurement practice is applied consistently throughout the Council. It sets out how the Council will address procurement and establishes its importance to the Council and the contribution it can make to improved service delivery.

- 5.7 **Support for Regional and National Priorities.** To support, where possible, regional and national priorities, for example urban renaissance, transportation improvements, environmental initiatives such as increased levels of recycling.
- 5.8 **Support for Local Priorities.** The Borough Council has been consistently investing in its car parks to support the local economy through a phased programme of improvements. The Economic Development strategy sets out broader economic development priorities. Additional funding from the Business Rates Retention Pilot has been earmarked for economic development within the Borough. As a Flood Risk Management Authority, we will maintain our support for the flood defence schemes being developed in the area. The emerging Economic Development Strategy 2023-2027 sets out broader economic development priorities.
- 5.9 **Availability of External Funding.** In support of the Council's strategic priorities and objectives to monitor and pursue available forms of external partnership and other funding opportunities. Capital schemes are increasingly being funded in full or part by contributions from developers.
- 5.10 The Council's [Local Development Framework Core Strategy](#), adopted in 2007, supports the Government policy that development should contribute towards the community services and infrastructure that are necessary to support that development. The provision of infrastructure by developers as part of a wider project and financial contributions are brought forward by planning conditions or legal agreements on a case by case basis where justified by the application of the statutory tests. These arrangements have brought forward significant provision of and contributions to affordable housing, education facilities, children's play, sports pitches, leisure facilities, highway works and transportation services.
- 5.11 The Council is currently out to consultation on the first draft of the Local Plan (Regulation 18) which covers the period between 2021 to 2040. At this stage, the plan identifies key "issues" relating to the borough. This includes identifying potential "Spatial Strategy Options" and "Strategic Priorities" and inviting representation on these matters.
- 5.12 The Council is keen to secure a continuing supply of homes at appropriate and in sustainable locations to meet the needs and demands of the Borough. It has a proven track record in fostering growth in a strategically planned way. A range of housing provides balanced support for economic investment by companies looking to locate and expand in the Borough. The supply of new homes and businesses themselves make a contribution towards the Council tax base, potential new homes bonus funding and the potential income from business rates. So long as the level is consistent with planning policies and good practice the Borough Council will seek to secure levels of growth that assist in sustaining important local services.
- 5.13 As a non-stockholding Housing Authority, the Council has a key role to play in the delivery of the strategic housing function covering policy and enabling,

private sector housing, and in identifying and addressing housing needs. Contained within the Housing Strategy the key priorities are:

- Taking a sustainable approach to housing.
- Improving housing options and opportunities.
- Delivering the homes our residents need in the places they are needed.
- Working in partnership.

5.14 **Use of the Council's Assets.** Maintenance of an Asset Management Plan and performance measures for the use of Council owned assets to ensure optimum returns and early release of redundant assets in support of strategic investment priorities and to attract inward investment. An updated Asset Management Plan, covering a four year period, *was approved* by Members in January 2020.

5.15 **Consideration of the Impact on the Council's Revenue Budget.** To ensure that capital investment decisions are consistent with the Council's Medium Term Financial Strategy, particularly the management of its revenue budget so as to reduce its dependence upon the use of revenue reserves.

5.16 **Value for Money.** Each year the Council's external auditor gives an opinion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. All of the Capital Plan processes from identification and selection of schemes, through implementation to subsequent review of completed schemes can contribute to achieving value for money.

5.17 **Investment in IT.** In order to improve efficiency and economy and to meet customer aspirations for self-service, particularly via the website; and to enable more flexible and different ways of working to be adopted to support and assist delivery of the Savings and Transformation Strategy. The IT Strategy 2018 to 2022 along with the Digital Strategy 2019 to 2023 has set the direction of travel for the transformation programme.

## **6 Partnerships**

6.1 **West Kent Partnership.** The Council is a founding member of the West Kent Partnership, formed on a sub-regional rather than a district basis, reflecting the degree of economic and social homogeneity across West Kent and a shared community of interest. The current focus of the partnership is on increasing inward investment and promotion of the sub-regional and the joint delivery of a range of UK Shared Prosperity Fund and Rural England Prosperity Fund initiatives.

6.2 **Transportation Partnerships.** The Borough Council has consistently sought to influence the quality of transportation services in its area and increase investment in them by the relevant authorities. These authorities include the local highway authority, (Kent County Council), the strategic road network agency (Highways England), railway operators and Government Departments.

- 6.3 **The Joint Transportation Board.** Comprising Members from the Borough and County Councils, provides an overseeing function for the co-ordination of transport investment in the Borough. This ranges from regular reviews of minor improvements, highway maintenance programmes and parking reviews to major investment through key strategies.
- 6.4 **Kent and Medway Economic Partnership.** Seeks to promote economic growth across the county and covers Tonbridge and Malling. A key role of this organisation is to shape economic policy and bid for government funding for local projects which support our local economy. TMBC has a key role in identifying and promoting priorities for economic regeneration.
- 6.5 **Other Partnerships.** Having successfully bid for Local Growth Funding and DEFRA Grant in Aid for the Leigh Expansion and Hildenborough Embankment Scheme (LEHES), the LEHES Partnership (comprising the Environment Agency, TMBC and KCC) is now supporting the implementation of this strategic infrastructure investment required to safeguard many residential and business properties in the southern part of the borough and to enable future growth and new development to take place.
- 6.6 **Community Regeneration Partnerships.** The Council has entered into partnerships which have made a genuine difference to the local community with clear and tangible outcomes.
- 6.7 **The Community Safety Partnership (CSP).** The Crime and Disorder Act 1998 placed an obligation on local authorities and the Police (amongst others) to work together to develop and implement a strategy to tackle crime and disorder in their area. The Tonbridge and Malling CSP vision is: working together to ensure the safety and security of Tonbridge and Malling's residents, businesses and visitors.

## **7 Implementing and Managing the Capital Strategy**

- 7.1 The Council has developed a process for considering and evaluating potential capital schemes as an integral part of its Capital Strategy. This process for selecting schemes is described below.
- 7.2 Schemes, subject to some exceptions listed below, are selected by a phased process. For convenience, the stages have been termed List A, List B and List C, with List A being the approved Capital Plan.
- 7.3 As schemes come forward, they are stored in a list of schemes (List C) for consideration and possible evaluation. These schemes should emerge from, or be designed to achieve, the Council's strategic priorities and objectives along with a set of criteria used to guide the inclusion of new schemes to List C and ultimately the inclusion of schemes on List A. The criteria are: to meet legislative requirements including health and safety obligations; funded from external resources; and reduce revenue expenditure and or generate income. Justification would need to be provided for any schemes that failed to meet

one or more of these criteria in order for them to progress through the capital plan process.

- 7.4 From List C, Members select schemes for evaluation. Evaluations will include:
- Specification of the purpose of the scheme and its relevance to the Council's strategic objectives and any wider national policy objectives, the setting of targets by which the success or otherwise of the project can be judged post-implementation.
  - An outline design to facilitate costing and, where appropriate, consultation.
  - Identification of milestones and risks to aid project management and decision making.
  - Consultation, including, where appropriate, public consultation on the scheme's principle.
  - The establishment of a realistic estimated capital cost, incorporating any consultation feedback on design issues.
  - An assessment of the ongoing revenue costs and income generating capacity of the completed scheme including an assessment of the loss of interest from investments and impact on capital renewals provisions.
  - Consideration of partnership and external funding opportunities.
  - Consideration of the time after the end of the project during which the targets and objectives should be reviewed and reported to stakeholders.
  - An equality impact assessment.
- 7.5 The evaluation process will reveal the impact of the project on the revenue base budget, enabling Members to compare the value of the scheme with the financial savings required to pay for it or the impact on the council tax requirement. Schemes successfully passing through evaluation will be included in List B.
- 7.6 The Council is conscious that the process of evaluation is a revenue cost in itself; involving in-house staff and resources or the buying in of external resources and which may draw resources away from the implementation of the approved Capital Plan. In order to minimise the resource impact of evaluation it is important that restraint is exercised in selecting schemes for evaluation. A balance is struck each year between deliverability of the programme and the evaluation of new schemes.
- 7.7 Under the constitutional arrangements adopted by the Council, the evaluated schemes will be reviewed by the Overview and Scrutiny Committee which will advise the budget meeting of Cabinet of those schemes deemed suitable to progress to be included on List B. By considering all eligible schemes at the same time, a corporate approach can be taken to selecting those schemes deemed suitable to progress. Prioritisation of such schemes will be informed by the wider financial climate, the Medium Term Financial Strategy and the requirements of the CIPFA Prudential Code. Prioritisation will take account of national and regional priorities, the Council's strategic priorities and objectives and the financial consequences arising from the schemes proposed.
- 7.8 The main exception to this selection procedure is the investment necessary to maintain existing levels of service. This will consist primarily of renewals

provisions and some one-off items outside the basic renewal provisions. These provisions are subject to Member scrutiny within List A and application of value for money principles.

- 7.9 Ultimately the selection of new Capital Plan schemes from List B for inclusion in the Capital Plan (List A) will be determined by the Council following recommendations from the Cabinet in the light of advice from the Overview and Scrutiny Committee.
- 7.10 The Overview and Scrutiny Committee will also review existing Capital Plan (List A) schemes, advising Cabinet of the result. This provides an opportunity to review the budget and progress of existing schemes or even to propose their deferment or deletion.

## **8 The Capital Plan**

- 8.1 The result of the process described in section 7 is the Council's Capital Plan. This is a medium term financial and capital planning document covering a seven-year period (current financial year + six).
- 8.2 Achievement against the Capital Plan is monitored regularly via monthly reports posted on the Council's intranet for use by the Council's staff. At the end of each quarter a statement is considered by the Council's Corporate Management Team and regular monitoring reports are presented to Members.

## **9 Post Implementation Reviews**

- 9.1 It is important that any issues relating to the implementation of a Capital Plan project are addressed as soon as possible; either during the project or shortly after completion. The wider issues of the effectiveness and value for money of a project are addressed through a formal system of post-implementation review. The reviews take place after completion of a project, at a time determined during the evaluation process and are reported to an appropriate Scrutiny Select Committee. Lessons learnt inform future capital programme decision making and are part of a system of continuous improvement.

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