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**Decision Maker:** Executive

**Date:** 6<sup>th</sup> December 2017

**Decision Type:** Non-Urgent Executive Non-Key

**Title:** CAPITAL PROGRAMME MONITORING – 2<sup>ND</sup> QUARTER 2017/18

**Contact Officer:** James Mullender, Principal Accountant  
Tel: 020 8313 4292 E-mail: James.mullender@bromley.gov.uk

**Chief Officer:** Director of Finance

**Ward:** All

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1. Reason for report

This report summarises the current position on capital expenditure and receipts following the 2<sup>nd</sup> quarter of 2017/18 and seeks the Executive's approval to a revised Capital Programme.

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2. **RECOMMENDATION(S)**

2.1 **The Executive is requested to:**

- (a) **Note the report, including a total rephasing of £11,355k from 2017/18 into future years, and agree a revised Capital Programme;**
- (b) **Approve the following amendments to the Capital Programme:**
  - (i) **Addition of £362k to Transport for London (TfL) funded Traffic and Highways schemes as detailed in para 3.3.1;**
  - (ii) **Addition of £680k relating to the annual revenue contribution to Bromley Mytime Investment Fund as detailed in para 3.3.2;**
  - (iii) **Addition of £163k to the Orpington Town Centre - Walnut Centre & New Market infrastructure scheme to reflect funding available from Section 106 receipts as detailed in para 3.3.3;**
  - (iv) **Deletion of £8k residual balance on the Central Library/ Churchill Theatre – Chillers and Control scheme which has reached completion as detailed in para 3.3.4;**
  - (v) **Note that a report elsewhere on the agenda requests the addition of £75k to the Crystal Palace Park Improvement report as detailed in para 3.3.5.**

## Corporate Policy

1. Policy Status: Existing Policy: Capital Programme monitoring and review is part of the planning and review process for all services. Capital schemes help to maintain and improve the quality of life in the borough. Effective asset management planning (AMP) is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. For each of our portfolios and service priorities, the Council reviews its main aims and outcomes through the AMP process and identify those that require the use of capital assets. The primary concern is to ensure that capital investment provides value for money and matches the Council's overall priorities as set out in the Community Plan and in "Building a Better Bromley".
  2. BBB Priority: Excellent Council
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## Financial

1. Cost of proposal: Estimated Cost: Total increase of £1,272k over the 4 years 2017/18 to 2020/21, mainly due to £680k increase in Bromley Mytime Investment, £362k increase in TFL funding for Highway & Traffic schemes, and £163k increase in Orpington Town Centre
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: Total £143.9m over 4 years 2017/18 to 2020/21
  5. Source of funding: Capital grants, capital receipts and earmarked revenue contributions
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## Staff

1. Number of staff (current and additional): 1fte
  2. If from existing staff resources, number of staff hours: 36 hours per week
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## Legal

1. Legal Requirement: Non-Statutory - Government Guidance
  2. Call-in: Not Applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

### 3. COMMENTARY

#### Capital Expenditure

- 3.1 Appendix A sets out proposed changes to the Capital Programme following a detailed monitoring exercise carried out after the 2<sup>nd</sup> quarter of 2017/18. The base position is the programme approved by the Executive on 19<sup>th</sup> July 2017, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report are approved, the total Capital Programme 2017/18 to 2020/21 would increase by £2,031k, mainly due to £680k increase in Bromley Mytime Investment, £362k increase in TFL funding for Highway & Traffic schemes, and £163k increase in Orpington Town Centre.

The variations are summarised in the table below with further detail set out in Appendix A.

	2017/18	2018/19	2019/20	2020/21	TOTAL 2017/18 to 2020/21
	£000	£000	£000	£000	£000
Programme approved by Executive 19/07/17	84,211	35,731	15,337	6,984	142,263
Waste Clearance - Cornwall Drive (Exec 19/07/17)	1,654				1,654
Increase in Bromley High Street Improvement (Exec 07/11/17)	152			Cr 140	12
Approved Programme prior to 2nd Quarter's Monitoring	86,017	35,731	15,337	6,844	143,929
Variations requiring the approval of the Executive	517	755	0	0	1,272
Variations not requiring approval of Executive:					
Increase in Site G project (Subject to Council Approval)	Cr 513	2,980	4,690	13,875	21,032
Net rephasing from 2017/18 into future years	Cr 11,355	10,755	500	100	0
Total Amendment to the Capital Programme	Cr 11,351	14,490	5,190	13,975	22,304
<b>Total Revised Capital Programme</b>	<b>74,666</b>	<b>50,221</b>	<b>20,527</b>	<b>20,819</b>	<b>166,233</b>
Assumed Further Slippage (for financing purposes)	Cr 7,500	5,000	2,500	0	0
Assumed New Schemes (to be agreed)	0	0	3,500	3,500	7,000
	Cr 7,500	5,000	6,000	3,500	7,000
Projected Programme for Capital Financing Forecast	67,166	55,221	26,527	24,319	173,233

#### 3.2 Variation approved at subsequent Executive meetings

- 3.2.1 As detailed in Appendix A, a variation of £12k has been approved since the July meeting of Executive, for the Bromley High Street Improvement scheme.

#### 3.3 Variations requiring the approval of the Executive (£1,272k increase)

- 3.3.1 Transport for London (TfL) – Revised support for Highways and Traffic Schemes (£362k increase in 2017/18)

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2017/18 to 2020/21 on the basis of the bid in the Borough Spending Plan (BSP). Notification of an overall increase of £362k in the 2017/18 grant has been received from TfL, of which £197k relates to Maintenance, £120k relates to Borough Transport Priorities, and £45k relates to LIP formula funding. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

- 3.3.2 Bromley Mytime Investment Fund (£680k increase in 2018/19)

There is an annual provision in the revenue budget for a contribution towards capital investment in Council leisure centres managed by Bromley Mytime. The Mytime Active

Annual Review report was submitted to R&R PDS on 1<sup>st</sup> November 2017 which included Mytime's future proposals for the use of the Mytime Investment Fund for 2018/19 and Members are asked to approve the addition of £680k to this scheme, which will bring the total contribution to £3,194k.

### 3.3.3 Orpington Town Centre - Walnut Centre & New Market (£163k increase in 2017/18)

A Town Centre Development Update report was submitted to R&R PDS on 1<sup>st</sup> November 2017, which noted that a total of £163k Section 106 funding has been received from a private developer contribution towards the Orpington Town Centre - Walnuts Centre and New Market project. This constitutes two of the three stages of payment. Members are asked to approve the addition of this £163k to the capital programme.

### 3.3.4 Deletion of £8k residual balance - Central Library / Churchill Theatre – Chillers and Control (£8k reduction in 2017/18)

Following the completion of the outstanding minor works relating to extra netting protection to pipework, the final payment including retention was paid to the contractors. It is recommended that the residual budget of £8k on the Central Library / Churchill Theatre – Chillers and Control scheme be deleted. A post completion report for this scheme was submitted to R&R PDS on 1<sup>st</sup> November 2017.

### 3.3.5 Crystal Palace Park Improvement (£75k increase in 2018/19)

The Crystal Palace Park Café report (DRR17/067) elsewhere on the agenda requests the addition of £75k to the capital programme, funded from capital receipts for delivery of the Crystal Palace Park Café.

### 3.3.6 Scheme Rephasing

In the quarter 2 monitoring exercise, slippage of £11.4m has been identified and this has been re-phased from 2017/18 into future years to reflect the latest estimates of when expenditure is likely to be incurred. This has no overall impact on the total approved estimate for the capital programme. Further details are provided in Appendix B.

## **Capital Receipts**

- 3.4 Details of the receipts forecast in the years 2017/18 to 2020/21 are included in Appendix E to this report to be considered under part 2 proceedings of the meeting. The latest estimate for 2017/18 has decreased to £8.0m from £8.8m reported in July (excluding "other" capital receipts). The estimate for 2018/19 is £15.9m, a £8.9m increase compared to that reported in July. The estimate for 2019/20 is £5.7m, a £10.3m reduction compared to that reported in July. The estimate for 2020/21 is £18.1m, compared to the £1.0m from reported in July. A total of £1m per annum is assumed for receipts yet to be identified in later years. These projections, as detailed in Appendix E, reflect prudent assumptions for capital receipts, and do not include estimated disposal receipts from the review being undertaken by Cushman and Wakefield.

## **Financing of the Capital Programme**

- 3.5 A capital financing statement is attached at Appendix C and the following table summarises the estimated impact on balances of the revised programme and revised capital receipt projections which, as noted above, reflect prudent assumptions on the level and timing of disposals. Total balances would reduce from £44.1m (General Fund £20.0m and capital receipts £24.1m) at the end of 2016/17 to £10.2m by the end of 2020/21 and increase back to £25.9m by the end of 2024/25. It is therefore likely that any significant future capital

schemes not funded by grants/contributions or revenue, may have to be funded from external borrowing.

	Balance 01/04/17	Estimated Balance 31/03/21	Estimated Balance 31/03/25
	£m	£m	£m
General Fund	20.0	10.2	7.9
Capital Receipts	24.1	0.0	18.0
	44.1	10.2	25.9

## Investment Fund and Growth Fund

- 3.6 To help support the achievement of sustainable savings and income, the Council has set aside funding in the Investment Fund earmarked reserve (formerly known as the Economic Development and Investment Fund) to contribute towards the Council's economic development and investment opportunities. To date, total funding of £135.6m has been placed in the Investment Fund and Growth Fund earmarked reserves to contribute towards the Council's economic development and investment opportunities. In November 2014, £10m was set aside in the Growth Fund to support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre. Council approved additional allocations of £6.5m in December 2015, £6m in March 2016, £7m in June 2016, £4m in March 2017, and £3.3m in June 2017 to the Growth Fund.

Appendix D provides a detailed analysis of the Funds dating back to their inception in September 2011. To date schemes totalling £110.2m have been approved (£81.6m on the Investment Fund, and £28.6m on the Growth Fund), and the uncommitted balances as at end of November 2017 stand at £17.1m for the Investment Fund and £8.2m for the Growth Fund.

The Budget Monitoring 2017/18 report elsewhere on the agenda requests that members approve an allocation of £3.5m to the Investment Fund from underspends in the 2017/18 central contingency. If this is approved, the uncommitted balance on Investment Fund will increase to £20.6m.

## Feasibility Works – Property Disposals

- 3.7 At its meeting on 24<sup>th</sup> May 2017, Executive agreed to the creation of a new Earmarked Reserve with an initial allocation of £250k to be funded from the Growth Fund to allow feasibility works to be commissioned against specific sites so as to inform the Executive of sites' viability for disposal or re-development and potential scheme optimisation together with an appraisal as to worth.

Members requested that an update from Strategic Property be included in quarterly capital monitoring report, this is provided in Appendix F. To date the commitment value remains at £250k, and no expenditure has been incurred.

## Section 106 Receipts

- 3.8 In addition to capital receipts from asset disposals, the Council is holding a number of Section 106 contributions received from developers. These are made to the Council as a result of the granting of planning permission and are restricted to being spent on capital works in accordance with the terms of agreements reached between the Council and the developers. These receipts are held as a receipt in advance on the Council's Balance Sheet, the balance of which stood at £5,969k as at 30<sup>th</sup> September 2017, and will be used to finance capital expenditure from 2017/18 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

	<b>Balance 31/03/17</b>	<b>Receipts 2017/18</b>	<b>Expenditure 2017/18</b>	<b>Balance 30/09/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Specified capital works</b>				
Housing	4,911	-	1,854	3,057
Education	2,890	773	1,072	2,591
Highways	82	-	-	82
Local Economy	97	239	97	239
<b>TOTAL</b>	<b>7,980</b>	<b>1,012</b>	<b>3,023</b>	<b>5,969</b>

The Council's budgets are limited and, where a developer contribution can be secured, this will be required as a contribution towards projects, notwithstanding any other allocation of resources contained in the Council's spending plans.

### Post-Completion Reports

3.9 Under approved Capital Programme procedures, capital schemes should be subject to a post-completion review within one year of completion. These reviews should compare actual expenditure against budget and evaluate the achievement of the scheme's non-financial objectives. Post-completion reports on the following schemes are due to be submitted to the relevant PDS Committees:

- Office Accommodation Strategy (North Block and St Blaise)
- Digital Print Strategy
- SEELS street lighting project

## 4. POLICY IMPLICATIONS

4.1 Capital Programme monitoring and review is part of the planning and review process for all services.

## 5. FINANCIAL IMPLICATIONS

5.1 These are contained in the main body of the report and in the appendices. Attached as Appendix C is a capital financing statement, which gives a long-term indication of how the revised Programme would be financed if all the proposed changes were approved and if all the planned receipts were achieved. The financing projections assume approval of the revised capital programme recommended in this report, together with an estimated £3.5m per annum for new capital schemes and service developments from 2019/20 onwards.

<b>Non-Applicable Sections:</b>	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Capital Programme Monitoring Qtr 1 2017/18 (Executive 19/07/17) Opportunity Site G Development Programme (Executive 07/11/17) Bromley Town Centre Market Report & Improvement update (Executive 07/11/17) Town Centres Development Programme update (R&R PDS 01/11/17) Post Completion Review Report – Replacement Chillers At Central Library/Churchill Theatre (R&R PDS 01/11/17) Mytime Active Annual Report (R&R PDS 01/11/17) List of potential capital receipts from Strategic Property as at 21/11/17. List of feasibility works for property disposal from Strategic Property as at 22/11/17.