
Decision Maker:	Executive Council
Date:	Executive 7th February 2018 Council 26th February 2018
Decision Type:	Non-Urgent Executive Key
Title:	CAPITAL PROGRAMME MONITORING Q3 2017/18 & CAPITAL STRATEGY 2018 TO 2022
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: James.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

1. Reason for report

This report summarises the current position on capital expenditure and receipts following the third quarter of 2017/18 and presents for approval the new capital schemes in the annual capital review process. With regard to the annual bidding process, the main focus has again been on the continuation of existing essential programmes and on externally funded schemes. The Executive is asked to approve a revised Capital Programme.

2. **RECOMMENDATION(S)**

2.1 The Executive is requested to:

- (a) Note the report, including a total rephasing of £22.8m from 2017/18 into future years, and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Reduction of £5,424k to Transport for London (TfL) funded Traffic and Highways schemes as detailed in para 3.3.1;
 - (ii) Deletion of the £45k residual balance on the Depot – standby generators scheme which has reached completion as detailed in para 3.3.2;
 - (iii) The increase of £4.1m to the Property Investment Fund scheme to reflect the funding from a recent disposal of property as detailed in para 3.3.3;

- (iv) A total reduction of £222k to reflect the revised grant funding for the Formula Devolved Capital Grant relating to the Council's remaining maintained schools as detailed in para 3.3.4;
 - (v) A total reduction of £87k to reflect the lower associated cost on completed property purchases as detailed in 3.3.5;
 - (vi) Section 106 receipts from developers – increase of £15k in 2018/19 to reflect the funding received as detailed in para 3.3.6;
 - (vii) Note that the Market Reorganisation report elsewhere on the agenda will result in a decrease of £116k as detailed in para 3.3.7;
 - (viii) Note that the Scadbury Park report elsewhere on the agenda requests the addition of £155k to the Capital Programme as detailed in para 3.3.8; and
 - (ix) Note that potential capital bids totalling around £9.8m may be separately submitted during 2018/19 as detailed in para 3.5.8.
- (c) Recommend to Council:
- (i) The inclusion of the new scheme proposals listed in Appendix C in the Capital Programme (see section 3.5); and
 - (ii) The increase of £4.1m to the Property Investment Fund scheme to reflect the funding from a recent disposal of property as detailed in para 3.3.3.

2.2 Council is requested to:

- (d) Agree the inclusion of the new scheme proposals listed in Appendix C in the Capital Programme (see section 3.5); and
- (e) Agree the increase of £4.1m on Property Investment Fund scheme to reflect the funding from a recent disposal of property as detailed in para 3.3.3.

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 "Building a Better Bromley".
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Estimated Cost: Total net increase of 616k over the 5 years 2017/18 to 2020/21, mainly due to the decrease in TfL funded schemes (Cr £5,424k), increase in the Property Investment Fund (£4,100k), and the schemes proposed in the 2017 annual review (£2,240k)
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £166.8m 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

3.1 Capital Expenditure

- 3.1.1 This report sets out proposed changes to the Capital Programme following a detailed monitoring exercise carried out after the 3rd quarter of 2017/18 and also seeks approval to the new capital schemes in the 2017 annual capital review process. The report is divided into two distinct parts; the first (sections 3.3 and 3.4) looks at the Q3 monitoring exercise and the second (section 3.5) includes details of the proposed new schemes.
- 3.1.2 Appendix A sets out proposed changes to the Capital Programme. The base position is the revised programme approved by the Executive on 6th December 2017, as amended by variations approved at subsequent Executive meetings. If all the changes proposed in this report are approved, the total Capital Programme 2017/18 to 2021/22 would increase by £616k, mainly due to new capital bids for 2021/22 offset against reductions in the current capital programme. Estimated expenditure in 2017/18 will reduce by £23.0m due to the re-phasing of expenditure from 2017/18 into future years. Details of the monitoring variations are included in Appendices A and B, and the proposed revised programme, including the proposed new schemes, is summarised in the table below.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	TOTAL 2017/18 to 2021/22 £000
Programme approved by Executive 06/12/17	74,666	50,221	20,527	20,819	0	166,233
Variation approved at subsequent Executive meetings (Appendix A)	Cr 37	646	0	0	0	609
Approved Programme prior to 3rd Quarter's Monitoring	74,629	50,867	20,527	20,819	0	166,842
Variations requiring the approval of the Executive (Appendix A)	Cr 223	2,389	Cr 1,990	Cr 1,800	0	Cr 1,624
Variations not requiring approval of Executive: Net rephasing from 2017/18 into future years	Cr 22,819	23,347	332	Cr 860	0	0
Total Qtr 3 Monitoring variations	Cr 23,042	25,736	Cr 1,658	Cr 2,660	0	Cr 1,624
New schemes (Appendix C)	0	0	0	0	2,240	2,240
Total Revised Capital Programme	51,587	76,603	18,869	18,159	2,240	167,458
Assumed Further Slippage (for financing purposes)	Cr 3,500	Cr 15,000	10,000	5,000	3,500	0
Assumed New Schemes (to be agreed)	0	0	9,000	3,500	3,500	16,000
	Cr 3,500	Cr 15,000	19,000	8,500	7,000	16,000
Total revised expenditure to be financed	48,087	61,603	37,869	26,659	9,240	183,458

3.2 Variation approved at subsequent Executive meetings

- 3.2.1 As detailed in Appendix A, a new scheme totalling £443k has been added to the Capital Programme for the upgrade of Microsoft Dynamics CRM system, as approved by the Executive on 10th January 2018.
- 3.2.2 At the same meeting, the Executive approved the addition of £166k to the Capital Programme for the addition of a scheme for the demolition of Banbury House and subsequent site preparation.

3.3 Variations requiring the approval of the Executive (£1,624k total net reduction)

- 3.3.1 Transport for London (TfL) – Revised support for Highways and Traffic Schemes (£5,424k net reduction)

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 £338k in the 2017/18 grant has been received from TfL. £362k was added in the second quarter monitoring, so a reduction of £24k in 2017/18 has been included for the third quarter.

In November 2017, TfL published their five-year business plan where TfL stated they are not in a position to offer as much LIPs corridor funding as was indicated in the 2018/19 Annual spending Submission Guidance. The reduction in funding has been applied to each borough based on the current LIP formula. At this current stage, the TfL funding for 2018/19 (excluding Major schemes) is expected to be approximately £2.2m, a reduction of £1.8m compared to the £4m budget in capital programme. This reduction will also impact on the TfL capital budget for 2019/20 and 2020/21. Members are requested agree the total reduction of £5,424k to the capital programme. Grant allocations from TfL change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.3.2 Deletion of £45k residual balance – Depot Standby generators (£45k reduction in 2017/18)

The Depot Standby generators scheme has now completed. Following the completion of the two heavy duty mobile generators units which enables prompt reaction to electrical power loss with ease of connect to suitably modified power infrastructure points at Central Depot, final accounts have been taken. It is recommended that the residual budget of £45k on the Depot Standby generators scheme be deleted. A post completion report for this scheme was submitted to Environment PDS on 5th October 2017.

3.3.3 Property Investment Fund scheme to reflect the funding from a recent property disposal (£4,100k increase in 2018/19)

On 7th November 2017, Members agreed a report relating to the disposal of 72-76 High Street Bromley (Metro Bank), and agreed that the sale proceeds of £4.1m to be added the Investment Fund. The property disposal has now been completed and Members are asked to approve the increase of £4.1m to the Property Investment Fund capital scheme.

3.3.4 Formula Devolved Capital (£222k reduction)

The Formula Devolved Capital scheme is funded by a grant from the Department for Education, which is passed straight on to Council maintained schools. The overall grant has reduced as schools have converted to academy status, and Members are asked to agree a total reduction of £222k to reflect the level of revised funding.

3.3.5 Property Investment Fund scheme to reflect lower associated cost with completed acquisitions (£87k reduction in 2017/18)

Members are asked to approve a reduction of £87k in 2017/18 on the Property Investment Fund scheme due to lower than expected costs (mainly legal) associated with the completed acquisitions, of which £30k relates to 63 The Walnuts, and £57k Units C2 and C3, Southwood Summit, Farnborough.

3.3.6 Section 106 receipts from developers - increase of £15k in 2018/19 to reflect the funding received

In July 2015, the Executive agreed that the Capital Programme budget should reflect the total of Section 106 receipts available to fund expenditure. Members are asked to agree an increase of £15k in the Capital Programme budget for Section 106 in respect of additional receipts since the last report to match the total funding available.

3.3.7 Bromley High Street Improvements (£116k reduction in 2019/20)

As detailed in the Bromley Market Reorganisation Update report elsewhere on the agenda, Members are asked to note that there will be a reduction of £116k to the High Street Improvements scheme as a result of proposed changes to the arrangement of kiosks and pop-up stalls.

3.3.8 Scadbury Park Moated Manor (£155k addition to the capital programme)

Members are requested to note that the Scadbury Park Moated Manor report elsewhere on the agenda requests the addition of a £155k scheme to the Capital Programme for urgent repairs and stabilisation of brickwork at the Medieval Moated Manor within Scadbury Park Local Nature Reserve.

3.4 Scheme Rephasings

3.4.1 As part of the 3rd quarter monitoring exercise, a total of £22.8m has been re-phased from 2017/18 into 2018/19 to reflect revised estimates of when expenditure is likely to be incurred. The largest element of this is £8.9m relating to the Property Investment Fund Scheme. Other than the £2.5m land transaction element of a recently approved property acquisition (the remaining balance of which will take place in 2018/19), there are no further purchases currently expected for 2017/18.

3.4.2 In July 2015, the Executive agreed that the Capital Programme budget should reflect the total of Section 106 receipts available to fund expenditure Section 106. The unallocated balance totals £3,664k, of which, £773k relates to Education and £2,891k relates to Housing, and has been rephased into following financial year

3.4.3 Other schemes rephased into next financial year include Beckenham Town Centre Improvements (£1,602k), Social Care Grant (£1,450k), Site G (£1,305k), PCT LD Reprovision programme (£874k) and Early Education for Two Year Olds (£707k). This has no overall impact on the total approved estimate for the capital programme. Further details and comments are provided in Appendix B.

3.4.4 In view of the variations that have arisen in recent years, further slippage of £3.5m has been assumed for the remainder of 2017/18 for financing purposes to cover unforeseen delays to capital schemes.

3.5 Capital Strategy and Annual Capital Review – new scheme proposals

3.5.1 The Council's Capital Programme is intended to maintain and improve the quality of life in the borough and help meet its overall priorities as set out in "Building a Better Bromley", and with a four year plan, assists the longer-term planning for capital expenditure and the use of resources to finance it.

3.5.2 In recent years, the Council has steadily scaled down new capital expenditure plans and has transferred all of the rolling maintenance programmes to the revenue budget. General (un-earmarked) reserves, established from the disposal of housing stock and the Glades Site, have been gradually spent and have fallen from £131m in 1997 to £44.1m (including unapplied capital receipts) as at 31st March 2017. The Council's asset disposal programme has diminished, and as set out in section 3.7, it is currently projected that these balances will reduce to around £21m by 2025.

3.5.3 It is therefore likely that any significant future capital schemes not funded by grants/contributions, future disposals or from revenue, may have to be funded from external borrowing. Prior to any consideration of external borrowing, the Council will review its assets

to ensure all opportunities to generate capital receipts as alternative funding has been fully explored.

- 3.5.4 The Council's policy for borrowing and the investment of balances are set out in the Treasury Management Strategy Statement which will be considered by Executive and Resources PDS Committee on 1st February 2018, prior to submission for Council approval on 26th February 2018.
- 3.5.5 In addition to Treasury Management investments, the Council also has an alternative investment strategy for the acquisition of investment properties, and a revised set of criteria for these investments was approved by the Executive on 19th July 2017. To ensure that these investments are made prudently, and that the income generated remains sustainable, the Council has to date funded the property from its own resources rather than utilise any external borrowing.
- 3.5.6 This combination of lower risk Treasury Management investments and a separate longer-term investment strategy in the form of property acquisitions (generating higher yields and risks) provides a balanced investment strategy.
- 3.5.7 As part of the normal annual review of the Capital Programme, Chief Officers were invited to present bids for new capital investment. Other than the regular annual capital bids (TfL-funded Highway and Traffic schemes and Feasibility Studies) summarised in Appendix C, no additional bids were submitted. Other than the budget for feasibility studies (£40k) the bids in this report will not require funding from Council resources. Invest to Save bids were particularly encouraged, but none were received, and it is assumed that any such bids will be submitted in due course through the earmarked reserve that was created in 2011.
- 3.5.8 In addition to the bids above, Members are requested to note that there may be bids submitted during the year for the following potential schemes:
- Replacement IT system for Adult Social Care (circa £2.5m)
 - Extension to the Upgrade of Core Network Hardware scheme (circa £0.5m)
 - Depot Improvements (circa £5.8m)
- 3.5.9 The first two schemes listed above will be dependent upon the IT Strategy that is currently in development, and the depots scheme is linked to the Environmental Services commissioning programme that was reported to Executive on 6th December 2017, and could result in potentially significant capital receipts. All schemes will be subject to separate reports to the Executive and, where relevant (if over £1m), to full Council. These reports will include detailed costings, as well as the business case for the proposals.

3.6 Capital Receipts

- 3.6.1 Details of the receipts forecast in the years 2017/18 to 2020/21 are included in Appendix F to this report to be considered under part 2 proceedings of the meeting. The latest estimate for 2017/18 has increased to £8.6m from £8.0m reported in December (excluding "other" capital receipts). The estimate for 2018/19 is £16.2m, a £0.3m increase compared to that reported in December. The estimate for 2019/20 is unchanged at £5.7m, and the estimate for 2020/21 is £27.1m, compared to the £18.1m from reported in December. A total of £1m per annum is assumed for receipts yet to be identified in later years, and £10m in 2020/21, linked to the potential Depot Improvements scheme referred to in para 3.5.8 above. These projections, as detailed in Appendix F, reflect prudent assumptions for capital receipts, and do not include estimated disposal receipts from the review being undertaken by Cushman and Wakefield.

3.7 Financing of the Capital Programme

- 3.7.1 A capital financing statement is attached at Appendix D 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 £10.4m by the end of 2019/20 and increase back to £21.4m by the end of 2024/25.

	Balance 01/04/17	Estimated Balance 31/03/20	Estimated Balance 31/03/25
	£m	£m	£m
General Fund	20.0	10.4	8.8
Capital Receipts	24.1	0.0	12.6
	44.1	10.4	21.4

- 3.7.2 A summary of how the capital programme will be financed is shown in the table below with further detail provided in Appendix D.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Total Capital Expenditure	52,990	48,087	61,603	37,869	26,659	227,208
Financed by:						
Usable Receipts	9,880	15,634	18,179	23,463	23,402	90,558
Revenue Contributions	26,598	3,044	4,382	1,432	100	35,556
Government Grants	9,913	18,721	27,009	961	865	57,469
Other Contributions	6,599	10,688	12,033	2,700	2,292	34,312
General Fund	0	0	0	9,313	0	9,313
Total	52,990	48,087	61,603	37,869	26,659	227,208

3.8 Section 106 Receipts

- 3.8.1 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 stands at £5,714k as at 31st December 2017 as shown in the table below, and will be used to finance capital expenditure from 2017/18 onwards:

Specified capital works	Balance 31/03/2017 £'000	Receipts 2017/18 £'000	Expenditure 2017/18 £'000	Balance 31/12/2017 £'000
Housing	4,911	40	1,854	3,097
Education	2,890	788	1,143	2,535
Local Economy	97	239	336	0
Community Facilities	-	86	86	0
Highways	82	-	-	82
Total	7,980	1,153	3,419	5,714

- 3.8.2 The Council's budgets are limited and, where a developer contribution (S106) 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.

3.9 Investment Fund and Growth Fund

- 3.9.1 To help support the achievement of sustainable savings and income, the Council has set aside funding in the Investment Fund and Growth Fund earmarked reserves to contribute towards the Council's economic development and investment opportunities. To date, total funding of £139.1m has been placed in the Investment Fund and Growth Fund earmarked reserves to contribute towards the Council's economic development and investment opportunities.
- 3.9.2 Appendix E provides a detailed analysis of the Funds dating back to their inception in September 2011. To date schemes totalling £122.8m have been approved (£94.1m on the Investment Fund, and £28.6m on the Growth Fund), and the uncommitted balances as at end of December 2017 stand at £8.1m for the Investment Fund and £8.3m for the Growth Fund.

3.10 Feasibility Works – Property Disposals

- 3.10.1 At its meeting on 24th 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.
- 3.10.2 Members requested that an update from Strategic Property be included in quarterly capital monitoring report, this is provided in Appendix G.

3.11 Post-Completion Reports

- 3.11.1 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 D 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 2020/21 onwards.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	<p>Approved Capital Programme (Executive 06/12/17)</p> <p>Treasury Management – Annual Investment Strategy 2018/19 (Executive and Resources PDS Committee 01/02/18)</p> <p>New Property Investment Criteria (Executive 19/07/17)</p> <p>Environment Services Commissioning Programme Update (Executive 06/12/17).</p> <p>List of potential capital receipts from Strategic Property as at 22/01/18.</p> <p>List of feasibility works for property disposal from Strategic Property as at 24/01/18.</p>