

Decision Maker: Executive

Date: 21st May 2018

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME OUTTURN 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

1. Reason for report

1.1 This report sets out the final outturn on capital expenditure and receipts for 2017/18. Capital expenditure in the year was £40.3m, compared to the final approved budget of £51.6m, agreed in February 2018 resulting in a total net variation of Cr £11.3m. For funding purposes, £3.5m slippage was assumed in the Quarter 3 capital monitoring report, so there was an overall variation of Cr £7.8m in the use of capital receipts and external and revenue contributions.

2. **RECOMMENDATIONS**

2.1 **The Executive is requested to:**

(a) **Note the report;**

(b) **Approve the following amendments to the Capital Programme for 2018/19:**

(i) **Increase of £15k to the 30 hours childcare IT scheme funded from the revenue grant underspend in 2017/18 as detailed in paragraph 3.2.1;**

(ii) **Addition of £178k to the capital programme to reflect additional Disabled Facilities Grant received as detailed in paragraph 3.2.2;**

(iii) **Addition of £116k to the Biggin Hill Memorial Museum scheme funded from revenue (£54k) and external contributions (£62k) as detailed in paragraph 3.2.3.**

(c) **Note that the Provisional Final Accounts 2017/18 report elsewhere on the agenda recommends that Council approves contributions of £2.6m to the Investment Fund and £2.3m to the Growth Fund as detailed in paragraph 3.13.3.**

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 the Community Plan and in "Building a Better Bromley".
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Not Applicable: No additional cost.
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: £51.6m in 2017/18
 5. Source of funding: Capital receipts, external grants/contributions & revenue contributions
-

Staff

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

Legal

1. Legal Requirement: Non-Statutory - Government Guidance
 2. Call-in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Capital Programme Outturn 2017/18

3.1.1 The final capital outturn for the year was £40.3m, compared to the revised budget of £51.6m approved by Executive in February 2018. The total net variation is Cr £11.3m, which is primarily due to slippage in Education Portfolio (Cr £3.8m), Environment Portfolio (Cr £2.9m) and Resources Portfolio (£3.5m), as summarised in the table below:

| Portfolio | Latest | Final | Variation | |
|---|-------------------------|-----------------|-----------|-------------|
| | Approved Budget 2017/18 | Outturn 2017/18 | 2017/18 | |
| | £m | £m | £m | |
| Education Portfolio | 19.6 | 15.8 | Cr | 3.8 |
| Care Services Portfolio | 4.9 | 4.3 | Cr | 0.6 |
| Environment Portfolio | 14.7 | 11.8 | Cr | 2.9 |
| Public Protection & Safety Portfolio | 0.0 | 0.0 | | 0.0 |
| Renewal & Recreation Portfolio | 3.8 | 3.3 | Cr | 0.5 |
| Resources Portfolio | 8.6 | 5.1 | Cr | 3.5 |
| Latest approved Capital Programme | 51.6 | 40.3 | Cr | 11.3 |
| Less: further slippage assumed for financing purposes | Cr 3.5 | - | | 3.5 |
| | 48.1 | 40.3 | Cr | 7.8 |

3.1.2 These slippages will be re-phased into 2018/19 as shown in Appendix 1. The variations detailed in sections 3.3 to 3.8 have all arisen since the 3rd quarter capital monitoring report.

3.1.3 As set out in the Capital Programme Monitoring (3rd quarter) report to Executive on 8th February 2018, further slippage of £3.5m was assumed for financing purposes, however the significant slippage during the final quarter has resulted in a variation in the overall use of capital receipts, external grants/contributions and revenue contributions of Cr £7.8m.

3.2 Variations requiring the approval of the Executive (£309k increase in 2018/19)

3.2.1 30 Hours Childcare IT scheme (£15k increase in 2018/19)

Subject to approval of the carry forward requested in the Provisional Final Accounts 2017/18 report elsewhere on the agenda, the Executive is requested to agree the addition of £15k to the 30 Hours Childcare IT scheme in 2018/19 for additional implementation resources, funded by the revenue grant underspend in 2017/18.

3.2.2 Disabled Facilities Grant (£178k increase in 2018/19)

In the Autumn Budget on 22nd November 2017, additional funding was provided for Disabled Facilities Grant (DFG), and in January 2018 the Council received the additional allocation of £178k. The Executive is asked to agree the addition of this amount to the DFG capital scheme.

3.2.3 Biggin Hill Memorial Museum (£116k increase in 2018/19)

Following scrutiny by the Renewal and Recreation PDS Committee at the meeting on 27th March 2018 the Portfolio Holder agreed a revenue contribution to capital of £54k for foundation works at Biggin Hill Memorial Museum, and noted the external contribution of £62k that had been secured for conservation works on the railings at St. George's Chapel of Remembrance. The Executive is requested to agree the addition of £116k to the Biggin Hill Memorial Museum scheme in 2018/19.

3.3 Education Portfolio

- 3.3.1 The slippage for Education schemes which has occurred since the third quarter monitoring is £3.8m against a total budget of £19.6m. This is mainly due to £2.4m on the Basic Need Programme where there were delays on the Trinity scheme as a result of La Fontaine remaining on site longer than planned, and delays on two schemes managed by an external contractor. There has also been lower contingency spend mainly due to scheme designs being taken to RIBA stage 4 before tendering.
- 3.3.2 The £0.4m for retention and final accounts at Glebe is still to be agreed and £0.4m on school modernisation is to be rolled forward as tenders are scheduled to be agreed in the summer for works to complete in 2018/19. The Highway Primary project is now complete and the £0.1m budget can now be returned to the Basic Need scheme, as can the Beacon House refurbishment which is now in defect period and anticipated to come in £0.4m under budget. All other variations have been re-phased into 2018/19.

3.4 Care Services Portfolio

- 3.4.1 The variation for Care Services schemes is Cr £0.6m against a budget of £4.9m. This is comprised of a number of variations, the main significant ones being £0.2m for PIL Fund for Property Acquisitions and Site K and £0.1m for Gateway Review of Housing IT system. The Disabled Facilities Grants has overspent slightly, by £0.1m; although this is offset by repayments, leaving a minor net underspend which is requested to be carried forward to 2018/19 as set out in paragraph 3.9.2.

3.5 Environment Portfolio

- 3.5.1 There was overall slippage of £2.9m since the third quarter monitoring on schemes in the Environment Portfolio compared to a total portfolio budget of £14.7m. This was mainly due to slippage of £1.2m on the Highways Investment scheme which was in part due to a change in the contractor for both major and minor highway works, and £0.6m on the Maintenance scheme.
- 3.5.2 There was also slippage of £0.5m on the LIP Formula Funding scheme due to a cautionary position being taken with budgets being reprofiled when TfL announced a 15% cut in funding which has since been retracted. Other scheme variations amounted to £0.6m slippage with primarily Borough Transport Priorities and Street Lighting due to scheme completion and final accounts to be agreed.

3.6 Public Protection & Safety Portfolio

- 3.6.1 There was no variation on the capital scheme in the Public Protection & Safety Portfolio. The CCTV Control room refurbishment project completed in 2016/17 and is in defect period. Retention sum to the contract is being held and will be paid once the whole system has been running successfully for a period of 12 months. The scheme will be reviewed and any residual balance will be removed from the programme as part of the quarterly capital monitoring during 2018/19.

3.7 Renewal & Recreation Portfolio

- 3.7.1 There was a net variation of Cr £0.5m on the capital schemes in the Renewal & Recreation Portfolio on a total portfolio budget of £3.8m. This comprised of accelerated spend on Biggin Hill Memorial Museum (£0.2m) and slippage on the Bromley MyTime Investment Fund (Cr £0.4m), Crystal Palace Park Alternative Management Options (Cr £0.1m), Chipperfield Road Development (Cr £0.1m) and Bromley North Village (Cr £0.1m).

3.8 Resources Portfolio

3.8.1 There was an overall variation of £3.5m on schemes in the Resources Portfolio compared to a total portfolio budget of £8.6m. This is mainly due to £0.4m slippage on Carbon Management (Invest to Save), £2.5m on the Property Investment Fund due to the planned investment property purchase in Medway (agreed in December 2017) being unsuccessful, and £0.6m across the various IT schemes from a total budget of £1.2m.

3.8.2 The slippage on ICT schemes since the third quarter monitoring is due to delays in commissioning services as well as technical issues in the Storage Area Network data migration, and delays migrating some 3rd party applications between Windows XP and Windows 7. These variations will be re-phased into 2018/19.

3.9 Block Capital Provisions

3.9.1 The outturn position for 2017/18 block capital provisions is shown in the table below:

| | Budget 2017/18 £'000 | Actuals 2017/18 £'000 | Variance 2017/18 £'000 |
|---|----------------------------|-----------------------------|------------------------------|
| Resources | | | |
| Emergency Works on Surplus Sites | 108 | 14 Cr | 94 |
| Care Services | | | |
| Disabled Facilities Grants - DFG | 1,290 | 1,346 | 56 |
| Disabled Facilities Grants - Repayments | 0 Cr | 61 Cr | 61 |
| | 1,290 | 1,285 Cr | 5 |
| Total | 1,398 | 1,299 Cr | 99 |

3.9.2 The number of surplus sites/properties being held by the Property Division has increased in recent years, with a consequent increase in management and health and safety costs being incurred prior to disposal. The Executive is asked to approve the carry forward of the £94k underspend for emergency works at these sites, as well as the £5k underspend on DFG. The remaining unapplied portion of the DFG capital grant received to 31st March 2018 (a total of £1,447k) will be available to fund expenditure in 2018/19 and later years.

3.10 Financing of the Capital Programme

3.10.1 The financing of 2017/18 capital expenditure is compared below with the estimates reported in the third quarter capital monitoring:

| Source of Finance | Budget £m | Actuals £m | Variation £m |
|--|--------------|----------------|-----------------|
| Approved Qtr 3 Capital Programme | 51.6 | | |
| Less - assumed slippage for financing purposes | Cr 3.5 | | |
| Total Capital Expenditure (net of slippage) | 48.1 | 40.3 Cr | 7.8 |
| Financed By | | | |
| Usable Receipts | 15.6 | 7.2 Cr | 8.4 |
| Revenue Contributions | 3.0 | 8.3 | 5.3 |
| Government Grants | 18.7 | 20.2 | 1.5 |
| Other Contributions | 10.7 | 4.5 Cr | 6.2 |
| Total | 48.1 | 40.3 Cr | 7.8 |

3.10.2 During 2017/18, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2017, December 2017 and February 2018, and reported changes have been incorporated in revised approved Capital Programmes. These have similarly been reported quarterly to individual PDS Committees. For information, Appendix 2 provides a

comparison between the latest approved budget and the original approved budget for the year (agreed in February 2017).

3.11 Capital Receipts

3.11.1 Under the “prudential” capital system in operation from 1st April 2004, most capital receipts are “usable” and may be applied to finance capital expenditure. The final outturn in 2017/18 for new capital receipts from asset disposals was £8.8m, and was higher than the estimated figure reported to the Executive in February 2018 (£8.6m), due to an additional sale that completed.

3.11.2 The table below provides a breakdown of the unapplied capital receipts totalling £25.7m that will be carried forward to finance expenditure in 2018/19 and later years. £7.2m was applied for financing capital expenditure during 2017/18 as revenue contributions and external contributions covered the majority of the total capital expenditure. As has been the case for the last fourteen years, no contribution from the General Fund was required in 2017/18. To date, £20.3m of capital receipts have been earmarked to supplement the Investment Fund for the purchase of investment properties, of which £4.4m has been utilised to date, leaving £15.9m, so a total of £9.8m remains available to finance capital expenditure in future years.

| | Usable Receipts £m |
|---|-----------------------------------|
| Unapplied Balance b/f April 2017 | 24.1 |
| Total Receipts during 2017/18 | 8.8 |
| Receipts applied to finance expenditure | Cr 7.2 |
| Unapplied Balance c/f as at 31 March 2018 | 25.7 |
| Receipts earmarked for Investment Properties | Cr 15.9 |
| Balance available to fund future expenditure | 9.8 |

3.12 Section 106 Receipts

3.12.1 In addition to capital receipts, the Council is holding a significant sum in respect of Section 106 capital contributions received from developers in recent years. 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. Section 106 receipts are held as a receipt in advance on the Council’s balance sheet, the balance of which reduced from £7,980k as at 31st March 2017 to £6,583k as at 31st March 2018, as receipts used to finance actual capital expenditure exceeded those that were received. The remaining balance will be used to finance capital expenditure from 2018/19 onwards. Balances and in-year movements are shown in the following table.

| Agreed Service Area | Balance b/f 01/04/17 £'000 | Receipts 2017/18 £'000 | Expenditure 2017/18 £'000 | Balance c/f 31/03/18 £'000 |
|----------------------------|---|---------------------------------------|--|---|
| Housing Provision | 4,911 | 46 | 1,853 | 3,104 |
| Education | 2,890 | 1,574 | 1,153 | 3,311 |
| Highways | 82 | 0 | 0 | 82 |
| Local Economy | 97 | 239 | 336 | 0 |
| Other | 0 | 86 | 0 | 86 |
| Total | 7,980 | 1,945 | 3,342 | 6,583 |

3.13 Investment Fund and Growth Fund

3.13.1 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 £81.9m has been placed in the Investment Fund earmarked reserve, with a further £20.3m of capital receipts earmarked to supplement this, and £36.8m placed in the Growth Fund earmarked reserve.

3.13.2 Appendix 3 provides a detailed analysis of the Funds dating back to their inception in September 2011. To date schemes totalling £114.1m have been approved (£85.5m on Investment Fund, and £28.6m on Growth Fund), and the uncommitted balances as at end of March 2018 stand at £16.7m for the Investment Fund and £8.3m for the Growth Fund

3.13.3 As set out in the Provisional Final Accounts 2017/18 report elsewhere on the agenda, members are requested to recommend that Council agree the further contributions of £2.3m to the Growth Fund, and £2.6m to the Investment Fund, which will increase the uncommitted balance on the funds to £10.6m and £19.3m respectively.

4. POLICY IMPLICATIONS

4.1 Capital Programme monitoring 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 is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. 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”.

5. FINANCIAL IMPLICATIONS

5.1 There was no requirement for a General Fund contribution to finance capital expenditure in 2017/18, although there was an earmarked revenue contribution of £8.3m towards the cost of specific capital schemes, mainly from the Investment Fund for property acquisitions (£4.4m), Environment Agency grant for clearance of the Waste4Fuel site (£1.6m) and Growth Fund for Site G related acquisitions and Bromley High Street Improvement works (£1.4m). The provisional revenue outturn is reported elsewhere on the agenda.

5.2 Capital receipts totalling £25.7m were available as at 31st March 2018 to finance future capital spending priorities compared to an estimate of £17.1m in February. This is mainly due to a reduction in the use of receipts for capital financing, which is partly due to the reduction in overall spend, as well as the application of more Section 106 receipts for financing purposes. Capital grants and contributions totalling £33.1m and Section 106 receipts of £6.6m also remain available to finance future capital spend.

5.3 Post-completion reports on capital schemes have been (and will continue to be) submitted to PDS Committees within 12 months of completion. A revised Capital Programme and capital financing statement will be included in the next quarterly monitoring report to be considered at the July meeting of the Executive.

| | |
|--|---|
| Non-Applicable Sections: | Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children |
| Background Documents: (Access via Contact Officer) | Provisional Final Accounts 2017/18, Executive 21 st May 2018; Capital Programme Monitoring Q3 2017/18 & Capital Strategy 2018 to 2022, Executive 7 th February 2018; Capital Programme Monitoring Q3 2017/18 & Annual Capital Review 2017 to 2021, Executive 8 th February 2017. |