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| Decision Maker: | Executive Council |
| Date: | Executive 11th July 2018 Council 16th July 2018 |
| Decision Type: | Non-Urgent Executive Non-Key |
| Title: | CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2018/19 |
| 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 1st quarter of 2018/19 and seeks the Executive's approval to a revised Capital Programme.

2. **RECOMMENDATION(S)**

2.1 **The Executive is requested to:**

- (a) **Note the report, including a total rephasing of £14,666k from 2018/19 into future years, and agree a revised Capital Programme.**
- (b) **Approve the following amendments to the Capital Programme:**
 - (i) **Deletion of the £1k residual balance on Penge & Anerley Libraries (see para 3.3.2);**
 - (ii) **Increase of £472k on Transport for London (TfL) funded Traffic and Highways schemes (see para 3.3.3);**
 - (iii) **Addition of £129k for The Widmore Centre scheme (see para 3.3.4);**
 - (iv) **Addition of EFA allocation of £29k for Healthy Pupils Capital Fund scheme (see para 3.3.5);**
 - (v) **Increase of £26k to the Performance Management/Children Services IT scheme funded by a decrease to the Social Care Grant scheme (see para 3.3.6);**
 - (vi) **Deletion of £36k from the Anerley Town Hall Library Provision as the scheme has completed (see para 3.3.7); and**

(vii) Note that a report elsewhere on the Agenda requests the addition of £6,462k to the Capital Programme for Depot Improvement Works (see para 3.3.8).

(c) Recommend Council to approve the addition of £1,995k on the Disabled Facilities Grant funded scheme to reflect the latest grant funding available (see para 3.3.1).

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 9.0m over the 4 years 2018/19 to 2021/22, mainly due to £6,462k Depot Improvement Works, £1,995k additional Disabled Facilities Grant funding (which has been profiled to 2019/20), £472k increase in TfL funding for Highways and Traffic schemes, and £129k allocation for The Widmore Centre scheme.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £129.5m over 4 years 2018/19 to 2021/22
 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 1st quarter of 2018/19. The base position is the programme approved by the Executive on 7th February 2018, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report are approved, the total Capital Programme 2018/19 to 2021/22 would increase by £9,050k, mainly due to £6,462k of new funding for the Depot Improvement works scheme, £1,995k additional Disabled Facilities grant, £472k additional funding for TfL Highways & Traffic scheme, and £129k for the Widmore Centre scheme.

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

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | TOTAL 2018/19 to 2021/22 |
|--|---------------|---------------|---------------|--------------|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Programme approved by Executive 07/02/18 | 76,603 | 18,869 | 18,159 | 2,240 | 115,871 |
| Variations approved at subsequent Executive meetings | 13,609 | 0 | 0 | 0 | 13,609 |
| Approved Programme prior to 1st Quarter's Monitoring | 90,212 | 18,869 | 18,159 | 2,240 | 129,480 |
| Variations requiring the approval of the Executive | 893 | 4,995 | 3,162 | 0 | 9,050 |
| Variations not requiring approval: | | | | | |
| Net rephasing from 2018/19 into future years | Cr 14,666 | 14,666 | 0 | 0 | 0 |
| Total Amendment to the Capital Programme | Cr 13,773 | 19,661 | 3,162 | 0 | 9,050 |
| Total Revised Capital Programme | 76,439 | 38,530 | 21,321 | 2,240 | 138,530 |
| Assumed Further Slippage (for financing purposes) | Cr 15,000 | 10,000 | 5,000 | 0 | 0 |
| Assumed New Schemes (to be agreed) | 0 | 3,500 | 3,500 | 3,500 | 10,500 |
| | Cr 15,000 | 13,500 | 8,500 | 3,500 | 10,500 |
| Projected Programme for Capital Financing Forecast (see appendix C) | 61,439 | 52,030 | 29,821 | 5,740 | 149,030 |

3.2 Variations approved at subsequent Executive meetings

As detailed in Appendix A, variations of £2.3m have been approved since the February Executive meeting. This mainly comprises £1.0m for West Wickham Leisure Centre & Library Redevelopment, £0.7m for Central Depot Wall scheme and £0.3m for Norman Park Athletics Track, all of which were approved by the Executive on 28th March 2018.

On 21st May 2018 the Executive approved additional funding amounts on 3 existing schemes; £0.01m for 30 Hour Childcare IT scheme, £0.17m for Disabled Facilities Grant and £0.1m for the Biggin Hill Memorial Museum.

3.3 Variations requiring the approval of the Executive (£9,050k net increase)

3.3.1 Renovation Grants – Disabled Facilities (£1,995k increase)

The Disabled Facilities Grant (DFG) is provided for the provision of adaptations to disabled people's homes to help them to live as independently and safely as possible. The capital allocation received for 2018/19 from the Ministry of Housing, Communities and Local Government totals £1,995k. The funding will enable additional schemes to provide physical improvements to clients' home environments and to assist with creating safer and healthier

homes, and reduce admissions to hospital. Members are asked to agree the addition of £1,995k to the DFG scheme to reflect the total funding available.

3.3.2 Penge & Anerley Libraries – 46 Green Lane (£1k reduction in 2018/19)

On 6th Feb 2013 the Executive agreed the scheme for the provision of a combined Penge and Anerley library with an estimated cost of £669k. Final accounts for the scheme have now been agreed at £668k, and it is recommended that the residual balance of £1k be deleted.

3.3.3 Transport for London (TfL) – Revised support for Highways and Traffic Schemes (£472k increase to budget in 2018/19)

Provision for transport schemes to be 100% funded by TfL was originally included in the Capital Programme 2018/19 to 2020/21 on the basis of the bid in the Borough Spending Plan (BSP). An increase to the budget for 2018/19 of £472k is requested to reflect the revised allocations following the re-instatement of budgets which were reduced by £1.8m by TfL in November 2017 and reported to members in Feb 2018 monitoring. TfL budgets change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.3.4 The Widmore Centre (£129k Addition to the Capital Programme)

Following the sale of the Widmore Centre the Department for Education has invoked clawback of early year's capital funding of £129k as the local authority can no longer meet the conditions of the grant. This amount takes into account the period the asset was in compliant use (9 years 7 months out of an expected 25 years use). The clawback will be funded from proceeds of the disposal of the Widmore Centre. Members are requested to agree the addition of this sum to the Capital Programme.

3.3.5 Healthy Pupils Capital Fund – (£29k Addition to the Capital Programme)

The ESFA have allocated the Council £29k from Healthy Pupils Capital Fund. The HPCF is intended to improve children's and young people's physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions. Funding will be distributed through a bidding round from school and the allocations will be reported to the Children, Education and Families Budget and Performance Monitoring Sub-Committee. This funding is provided from the Soft Drinks Industry Levy for 2018-19 only. Members are requested to agree the addition of this sum to the Capital Programme.

3.3.6 Performance Management & Children Services IT & Social Care Grant (net nil variation)

Following a Gateway review in April 2015, Bromley began working on a project for the implementation of new case management systems for Children's Social Care. The project has been through the development stage, and the implementation stage commenced in November 2016. Members are asked to approve the increase of £26k, for additional resource to continue the implementation, funded by a reduction to the Social Care Grant scheme.

3.3.7 Anerley Town Hall Library Provision (£36k Reduction)

This scheme was approved in July 2014 and has now completed £36k under budget. Members are requested to approve the removal of this amount from the Capital Programme.

3.3.8 Depot Improvement Works (£6,462k Addition to the Capital Programme)

A report elsewhere on the agenda requests the addition to the Capital Programme of £6,462k for the demolition and build of a new Depot, to be funded from capital receipts.

3.3.9 Scheme Rephasing

The 2017/18 Capital Outturn was reported to the Executive on 21st May 2018. The final capital outturn for the year was £40.3m compared to a revised budget of £51.6m. The variation of £11.3m was rephased from 2017/18 into 2018/19.

In the quarter 1 monitoring exercise, slippage of £14.7m has been identified and this has been re-phased from 2018/19 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 2018/19 to 2021/22 are included in Appendix E to this report to be considered under part 2 proceedings of the meeting. Actual receipts from asset disposals totalled £8.6m in 2017/18 and were the same as the estimated figure reported to the Executive in February 2018 (£8.6m).

The latest estimate for 2018/19 has increased to £18.3m from £16.2m reported in February (excluding “other” capital receipts). The estimate for 2019/20 is £5.7m, the same as was reported in February 2018. Estimates for 2020/21 and 2021/22 remain at £27.1m and £1.6m respectively, as reported in February. 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 don’t 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 £45.7m (General Fund £20.0m and capital receipts £25.7m) at the end of 2017/18 to £11.1m by the end of 2021/22 and would then increase to £27.9m by the end of 2025/26. 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 01/04/18 | Estimated Balance 31/03/22 | Estimated Balance 31/03/26 |
|------------------|---------------------|----------------------------------|----------------------------------|
| | £m | £m | £m |
| General Fund | 20.0 | 11.1 | 11.1 |
| Capital Receipts | 25.7 | 0.0 | 16.8 |
| | 45.7 | 11.1 | 27.9 |

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 £144.0m 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, £3.3m in June 2017 and £2.3m in May 2018 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 £114.0m have been approved (£85.5m on the Investment Fund, and £28.5m on the Growth Fund), and the uncommitted balances as at the end of June 2018 stand at £19.3m for the Investment Fund and £10.7m for the Growth Fund.

Feasibility Works – Property Disposals

- 3.7 At its meeting on 21st May 2018, 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 these quarterly capital monitoring reports, and the latest update is provided in Appendix F. Formal instructions are being processed for four locations, with four more estimated for September/October. 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 £7,420k as at 31st May 2018, and will be used to finance capital expenditure from 2018/19 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

| | Balance 31/03/18 | Receipts 2018/19 | Expenditure 2018/19 | Balance 31/05/18 |
|-------------------------|---------------------|---------------------|------------------------|---------------------|
| Specified capital works | £'000 | £'000 | £'000 | £'000 |
| Housing | 3,104 | 561 | 0 | 3,665 |
| Education | 3,311 | 200 | 0 | 3,511 |
| Highways | 82 | 0 | 0 | 82 |
| Local Economy | 0 | 76 | 0 | 76 |
| Other | 86 | 0 | 0 | 86 |
| TOTAL | 6,583 | 837 | 0 | 7,420 |

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
- Digital Print Strategy
- SEELS street lighting project
- Depots – Standby Generators
- Penge/Anerley Libraries
- Anerley Town Hall (Library Provision)

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.

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| Non-Applicable Sections: | Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children |
| Background Documents: (Access via Contact Officer) | Capital Programme Monitoring Qtr 1 2017/18 & Annual capital Review 2018-2022 (Executive 07/02/18) Capital Programme Outturn 2017/18 report (Executive 21/05/18). List of potential capital receipts from Strategic Property as at 21/06/18. List of feasibility works for property disposal from Strategic Property as at 26/06/18. |