

**Decision Maker:** Executive

**Date:** Wednesday 28<sup>th</sup> November 2018

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

**Title:** CAPITAL PROGRAMME MONITORING – 2<sup>nd</sup> QUARTER 2018/19

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**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 2018/19 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 £28,311k from 2018/19 into future years, and agree a revised Capital Programme;**
- (b) **Approve the following amendments to the Capital Programme:**
  - (i) **Reduction of £192k to the Transport for London (TfL) funded Traffic and Highways schemes (see para 3.3.1);**
  - (ii) **Removal of £4k from the Woodlands Improvements Programme Scheme (see para 3.3.2);**
  - (iii) **Removal of £8k from the Betts Park Canal Bank Stabilisation Project as the scheme has completed (see para 3.3.3);**
  - (iv) **Note that a report elsewhere on the Agenda requests the addition of £100k to the Capital Programme for Housing Development Feasibility (see para 3.3.4);**
  - (v) **Note that a report elsewhere on the Agenda requests the allocation of £800k to the Affordable Housing capital scheme and £206k to the Property Acquisitions scheme from Housing Payment in Lieu Funds (see para 3.3.5);**

- (vi) Note that a report is due elsewhere on the Agenda which requests the addition to the Capital Programme of the IT Transformation scheme (see para 3.3.6);and**
- (vii) Note that the Council has been allocated funding of £1.1m from the Department of Transport, and that a report will be submitted to a future meeting of the Executive detailing the proposed use of this funding (see para 3.3.7).**

## 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 decrease of £0.1m over the 4 years 2018/19 to 2021/22, mainly due to £100k allocation for Housing Development Feasibility Studies and a £192k decrease in TfL funding for Highways and Traffic schemes.
  2. Ongoing costs: Applicable
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: Total £139.5m 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: 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 2018/19. The base position is the programme approved by the Executive on 11<sup>th</sup> July 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 decrease by £0.1m, mainly due to £100k additional funding for Housing Development Feasibility Studies and a £192k decrease in funding for TfL Highways & Traffic schemes.

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<br>2018/19 to<br>2021/22 |
|--|---------------|---------------|---------------|--------------|--------------------------------|
|  | £'000         | £'000         | £'000         | £'000        | £'000                          |
| Programme approved by Executive 11/07/18                               | 76,439        | 38,530        | 21,321        | 2,240        | 138,530                        |
| Variations approved at subsequent Executive meetings                   | 711           | Cr 1,930      | 960           | 1,270        | 1,011                          |
| Approved Programme prior to 2nd Quarter's Monitoring                   | 77,150        | 36,600        | 22,281        | 3,510        | 139,541                        |
| Variations requiring the approval of the Executive                     | Cr 154        | 50            | 0             | 0            | Cr 104                         |
| Variations not requiring approval:                                     |               |               |               |              |                                |
| Net rephasing from 2018/19 into future years                           | Cr 28,311     | 28,311        | 0             | 0            | 0                              |
| Total Amendment to the Capital Programme                               | Cr 28,465     | 28,361        | 0             | 0            | Cr 104                         |
| <b>Total Revised Capital Programme</b>                                 | <b>48,685</b> | <b>64,961</b> | <b>22,281</b> | <b>3,510</b> | <b>139,437</b>                 |
| Assumed Further Slippage (for financing purposes)                      | Cr 5,000      | 3,000         | 2,000         | 0            | 0                              |
| Assumed New Schemes (to be agreed)                                     | 0             | 3,500         | 3,500         | 3,500        | 10,500                         |
|  | Cr 5,000      | 6,500         | 5,500         | 3,500        | 10,500                         |
| Projected Programme for Capital Financing Forecast<br>(see appendix C) | 43,685        | 71,461        | 27,781        | 7,010        | 149,937                        |

#### 3.2 Variations approved at subsequent Executive meetings

As detailed in Appendix A, variations of £1.0m have been approved since the July Executive meeting. This is as a result of additions of £596k for Basic Need, as approved by Executive on 11<sup>th</sup> July 2018, and £415k for Bromley High Street, as approved by the Executive on 17<sup>th</sup> October 2018. In addition £3m was added to the Capital Programme for the Social Care Case Management System IT scheme as approved by the Executive on 12<sup>th</sup> September 2018 (funded by a reduction to existing schemes).

#### 3.3 Variations requiring the approval of the Executive (£104k net decrease)

##### 3.3.1 Transport for London (TfL) – Revised support for Highways and Traffic Schemes (£192k decrease 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). A decrease to the budget for 2018/19 of £192k is requested to reflect the revised allocations. TfL budgets change frequently and any further variations will be reported in subsequent capital monitoring reports.

### 3.3.2 The Woodlands Improvements Programme – (£4k removal from the Capital Programme)

The scheme completed last year and a small budget of £4k was rephased at the end of 2017/18 for outstanding payments, however this is no longer required as no further spend is expected. Members are requested to agree the removal of this sum from the Capital Programme.

### 3.3.3 Betts Park Canal Bank Stabilisation Project – (£8k removal from the Capital Programme)

The scheme completed last year and a small budget of £8k was rephased at the end of 2017/18 for outstanding payments, however this is no longer required as no further spend is expected. Members are requested to agree the removal of this sum from the Capital Programme.

### 3.3.4 Housing Development Feasibility Studies (£100k addition to the Capital Programme)

A report elsewhere on the agenda requests the approval of £100k addition to the Capital Programme for feasibility assessments of potential sites for housing development, to be funded from the Growth Fund.

### 3.3.5 Housing Payment in Lieu Funds for Affordable Housing and Property Acquisitions (£1,006k allocation)

A report elsewhere on the agenda requests that Members approve the allocation of £800k to the Affordable Housing provision and £206k to the Property Acquisition scheme from the S106 Housing Payment in Lieu Fund. This item is considered urgent in order to utilise the s106 funds due to expire in the near future and thus requiring spend between February and April 2019.

### 3.3.6 IT Transformation Scheme

Members are requested to note that a report due elsewhere on the agenda proposes an IT Transformation programme including associated capital expenditure requirements. This has not been reflected in the figures contained in this report pending Member approval.

### 3.3.7 London Highways Maintenance

On 12<sup>th</sup> November 2018 the Council was notified of £1.1m funding from the Department of Transport, to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. A report will be submitted to a future meeting of the Executive detailing the proposed use of this funding & requesting inclusion in the Capital Programme.

### 3.3.8 Scheme Rephasing

In the quarter 2 monitoring exercise, slippage of £28.3m 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.

The latest estimate for 2018/19 has decreased to £7.4m from £18.3m reported in July (excluding “other” capital receipts). The estimate for 2019/20 is £16.2m, which is an increase of £10.5m to what was reported in July 2018. These changes are mainly as a result of the expected delay of a major disposal. Estimates for 2020/21 and 2021/22 remain at £27.1m

and £1.6m respectively, as 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 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 £12.4m by the end of 2021/22 and would then increase to £38.4m 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<br>01/04/18 | Estimated<br>Balance<br>31/03/22 | Estimated<br>Balance<br>31/03/26 |
|------------------|---------------------|----------------------------------|----------------------------------|
|                  | £m                  | £m                               | £m                               |
| General Fund     | 20.0                | 12.4                             | 12.4                             |
| Capital Receipts | 25.7                | 0.0                              | 26.0                             |
|                  | <u>45.7</u>         | <u>12.4</u>                      | <u>38.4</u>                      |

### 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 and Growth Fund earmarked reserves (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 £123.7m has been placed in the Investment Fund and Growth Fund earmarked reserves to contribute towards the Council's economic development and investment opportunities with a further £20.3m of capital receipts approved to supplement this.

Appendix D provides a detailed analysis of the Funds dating back to their inception in September 2011. To date schemes totalling £114.5m have been approved (£85.5m on the Investment Fund, and £29.0m on the Growth Fund), and the uncommitted balances as at the end of October 2018 stand at £19.3m for the Investment Fund and £10.2m for the Growth Fund.

### Feasibility Works – Property Disposals

3.7 At its meeting on 24<sup>th</sup> May 2017, the Executive agreed to allocate £250k 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 five locations, with three more estimated for April 2019 onwards. To date the committed value remains at £250k, with expenditure of £44k 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 £8,455k as at 30<sup>th</sup> September 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:

|                                | <b>Balance<br/>31/03/18</b> | <b>Receipts<br/>2018/19</b> | <b>Expenditure<br/>2018/19</b> | <b>Balance<br/>30/09/18</b> |
|--------------------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| <b>Specified capital works</b> | <b>£'000</b>                | <b>£'000</b>                | <b>£'000</b>                   | <b>£'000</b>                |
| Housing                        | 3,104                       | 1,221                       | 0                              | 4,325                       |
| Education                      | 3,311                       | 575                         | 0                              | 3,886                       |
| Highways                       | 82                          | 0                           | 0                              | 82                          |
| Local Economy                  | 0                           | 76                          | 0                              | 76                          |
| Other                          | 86                          | 0                           | 0                              | 86                          |
| <b>TOTAL</b>                   | <b>6,583</b>                | <b>1,872</b>                | <b>0</b>                       | <b>8,455</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:

- Digital Print Strategy
- SEELS street lighting project
- Depots – Standby Generators
- Penge/Anerley Libraries
- Anerley Town Hall (Library Provision)
- Affordable Housing
- TfL Borough Support
- Borough Cycling
- Land Acquisitions (Cornwall Drive)

## 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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|---|--|
| <b>Non-Applicable Sections:</b>                       | Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children  |
| Background Documents:<br>(Access via Contact Officer) | Capital Programme Monitoring Qtr 1 2018/19 (Executive 11/07/18)<br>Capital Programme Monitoring & Capital Strategy Qtr 3 2017/18 (Executive 07/02/18)<br>List of potential capital receipts from Strategic Property as at 06/11/18.<br>List of feasibility works for property disposal from Strategic Property as at 06/11/18. |