
Decision Maker:	Executive Council		
Date:	Executive 13th February 2019 Council 25th February 2019		
Decision Type:	Non-Urgent	Executive	Key
Title:	CAPITAL PROGRAMME MONITORING Q3 2018/19 & CAPITAL STRATEGY 2019 TO 2023		
Contact Officer:	Jo-Anne Chang-Rogers, Principal Accountant Tel: 020 8313 4292 E-mail: Jo-Anne.Chang-Rogers@bromley.gov.uk		
Chief Officer:	Director of Finance		
Ward:	All		

1. Reason for report

This report updates the Council's Capital Strategy. It also summarises the current position on capital expenditure and receipts following the third quarter of 2018/19 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 consider the updated Capital Strategy and approve a revised Capital Programme.

2. **RECOMMENDATION(S)**

2.1 The Executive is requested to:

- (a) Note the report, including a total rephasing of £14.2m from 2018/19 into future years, and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
 - (i) Increase of £116k to the Basic Need scheme, funded by £3k and 113k, from the remaining balances on the Langley Park Boys School (BSF) scheme and The Highway Primary (partial rebuild) scheme as detailed in para 3.2.1;
 - (ii) Increase of £405k to the Capital Maintenance in Schools scheme, funded by £386k and £19k, from the remaining balances on the Suitability / Modernisation issues in schools and Universal Free School schemes as detailed in para 3.2.2;

- (iii) Addition of £233k DFG funding to the Capital programme as detailed in para 3.2.3;**
- (iv) Increase of £115k to the Carbon Management Programme as detailed in para 3.2.4.**

(c) Recommend to Council:

- (i) The inclusion of the new scheme proposals listed in Appendix C in the Capital Programme (see section 3.5)**

2.2 Council is requested to:

- (a) Agree the inclusion of the new scheme proposals listed in Appendix C in the Capital Programme (see section 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 "Building a Better Bromley".
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Estimated Cost: Total net increase of £232k over the 5 years 2018/19 to 2022/23, mainly due to the additional budget provided by the Ministry of Housing, Communities and Local Government, for Disabled Facilities Grant schemes.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £146.6m over 5 years 2018/19 to 2022/23
 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

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 2018/19 and also seeks approval to the new capital schemes in the 2018 annual capital review process. The report is divided into two distinct parts; the first (sections 3.2 and 3.3) looks at the Q3 monitoring exercise and the second (section 3.4) 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 28th November 2018, as amended by variations approved at subsequent Executive meetings. If all the changes proposed in this report are approved, the total Capital Programme 2018/19 to 2022/23 would increase by £2,588k, mainly due to new capital bids for 2022/23 and the additional funding provided by the Ministry of Housing, Communities and Local Government for the Disabled Facilities Grant schemes. Estimated expenditure in 2018/19 will reduce by £14.2m due to the re-phasing of expenditure from 2018/19 into future years. Details of the monitoring variations are included in Appendices A and B, and the proposed revised programme, including the additional funding provided, is summarised in the table below.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	TOTAL 2018/19 to 2022/23 £000
Programme approved by Executive 28/11/18	48,685	64,961	22,281	3,510	0	139,437
Other variations approved at Executive 28/11/28	1,943	1,561	729	348	0	4,581
Approved Programme prior to 3rd Quarter's Monitoring	50,628	66,522	23,010	3,858	0	144,018
Variations requiring the approval of the Executive (Appendix A)	638	Cr 290	0	0	0	348
Variations not requiring approval of Executive: Net rephasing from 2018/19 into future years	Cr 14,153	14,153	0	0	0	0
Total Q3 Monitoring variations	Cr 13,515	13,863	0	0	0	348
New Schemes (Appendix C)	0	0	0	0	2,240	2,240
TOTAL REVISED CAPITAL PROGRAMME	37,113	80,385	23,010	3,858	2,240	146,606
Assumed Further Slippage (for financing purposes)	Cr 5,000	3,000	2,000	0	0	0
Assumed New Schemes (to be agreed)	0	3,500	3,500	3,500	3,500	14,000
	Cr 5,000	6,500	5,500	3,500	3,500	14,000
Total revised expenditure to be financed	32,113	86,885	28,510	7,358	5,740	160,606

3.2 Variations requiring the approval of the Executive (£232k total net addition)

3.2.1 Langley Park Boys School (BSF) (£3k net reduction)

This scheme has completed. The budget had been set aside to cover any additional spend, that may have arisen beyond the defects and snagging period, however this is no longer required (and the budget can be returned back to the Basic Need capital scheme).

Highway Primary (partial rebuild) (£113k net reduction)

This scheme has completed. The budget had been set aside to cover any outstanding spend on consultants, that may have arisen beyond the defects and snagging period, however this is no longer required (and the budget can be returned back to the Basic Need capital scheme).

3.2.2 Capital Maintenance in Schools (£405k increase in 2018/19 budget)

The Suitability / Modernisation issues in Schools scheme, with a remaining budget of £386k has completed, as has the Universal Free School Meals scheme, with a remaining budget of £19k. These budgets, totalling £405k, are requested to be reallocated to the Capital Maintenance in Schools scheme due to the main improvement works falling under this scheme.

3.2.3 Disabled Facilities Grant (DFG) – (increase of £233k in 2018/19 to reflect the additional funding received)

Members are asked to approve an increase of £233k in 2018/19 to the Disabled Facilities Grant scheme. This was confirmed in a letter to LA Chief Executives in early December 2018 to help boost the delivery of more home adaptations for disabled people to live independently and safely within their homes.

3.2.4 Carbon Management Programme – increase of £115k in 2019/20 to reflect the repayment of SALIX funding from existing schemes.

This scheme is 50% funded by SALIX funding, provided by DEFRA, and 50% from the LBB Invest to Save Fund. All remaining projects have completed and outstanding grants in the form of savings made via energy consumption and billing have now been received. The budget will be used in partnership with the Street Lighting scheme to replace the LED lighting within the Borough.

3.3 **Scheme Rephasings**

3.3.1 As part of the 3rd quarter monitoring exercise, a total of £14.2m has been re-phased from 2018/19 into 2019/20 to reflect revised estimates of when expenditure is likely to be incurred. The largest elements of these are £3.5m relating to the Site G scheme, £2.6m relating to the Basic Need scheme, £2.3m relating to the Highways Investment scheme, £1.9m relating to the Housing Payment in Lieu (unallocated) Fund and £1m for the IT Transformation scheme.

3.3.2 In July 2015, the Executive agreed that the Capital Programme budget should reflect the total of Section 106 receipts available to fund expenditure. The unallocated balance totals £2,673k, of which £788k relates to Education, and £1,885k to Housing and has been rephased into the following year.

3.3.3 Other schemes rephased into next financial year include the PCT LD Reprovision programme (£574k) and the DFG grant scheme (£500k). This has no overall impact on the total approved estimate for the capital programme. Further details and comments are provided in Appendix B.

3.3.4 In view of the variations that have arisen in recent years, further slippage of £5.0m has been assumed for the remainder of 2018/19 for financing purposes to cover unforeseen delays to capital schemes.

3.4 **Capital Strategy update and Annual Capital Review – new scheme proposals**

Capital Strategy update

3.4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 introduced the setting and revising of a capital strategy. The Prudential Code laid out:

- Governance Procedure – the setting and revising of the capital strategy and prudential indicators will be done by the same body. For this Council it is the Executive and full Council.

- Determining a Capital Strategy – the Capital Strategy should demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives.
- Prudence & Affordability – each local authority should ensure that all of its capital, investment (and any borrowing) are prudent and sustainable.

3.4.2 As required, this Council's strategy includes capital expenditure, investments and treasury management and the Council's Capital Strategy is linked to the Treasury Management Strategy which reports and monitors the Council's Prudential Indicators. In addition the Director of Finance reports on affordability and risks in the annual budget setting reports.

3.4.3 An annual review of the Capital Programme is undertaken as outlined in paragraph 3.5. 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.

3.4.4 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 £45.7m (including unapplied capital receipts) as at 31st March 2018. The Council's asset disposal programme has diminished, and as set out in section 3.6, it is currently projected that these balances will be around £35.2m by 2026.

3.4.5 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.

3.4.6 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 7th February 2019, prior to submission for Council approval on 25th February 2019.

3.4.7 In addition to Treasury Management investments, the Council also has an alternative investment strategy for the acquisition of investment properties. 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.

3.4.8 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 Annual Capital Review – new scheme proposals

3.5.1 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) no other bids were submitted. Other than the budget for feasibility studies (£40k) the bids in this report will not require funding from Council resources. New 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 to be funded through the earmarked reserve that was created in 2011.

3.6 Capital Receipts

- 3.6.1 Details of the receipts forecast in the years 2018/19 to 2021/22 are included in Appendix F to this report to be considered under part 2 proceedings of the meeting. The latest estimate for 2018/19 has increased to £14.8m from £7.4m reported in November (excluding “other” capital receipts). The estimate for 2019/20 has decreased to £5.7m in comparison to what was reported in November. This mainly relates to the sale of the Old Town Hall and South Street car park for £8.4 in December 2018, previously forecast for 2019/20. 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 Depot Improvements scheme, which was approved by the Executive in July 2018. 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 £45.7m (General Fund £20.0m and capital receipts £25.7m) at the end of 2017/18 to £18.9m by the end of 2020/21 and increase back to £35.2m 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 31/03/2018 £m	Estimate Balance 31/03/2021 £m	Estimate Balance 31/03/2026 £m
General Fund	20.0	18.9	18.9
Capital Receipts	25.7	0.0	16.3
	45.7	18.9	35.2

- 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.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Total Capital Expenditure	40,296	32,113	86,885	28,510	7,358	195,162
Financed by:						
Usable Receipts	7,217	5,367	43,495	24,166	3,788	84,033
Revenue Contributions	8,339	3,518	4,258	100	100	16,315
Government Grants	15,614	12,939	19,906	1,825	1,270	51,554
Other Contributions	9,126	10,289	6,508	2,419	2,200	30,542
Internal Borrowing	0	0	12,718	0	0	12,718
General Fund	0	0	0	0	0	0
Total	40,296	32,113	86,885	28,510	7,358	195,162

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 £9,951k as at 31st December 2018 as shown in the table below, and will be used to finance capital expenditure from 2018/19 onwards:

Specified Capital Works	Balance 31/03/2018 £'000	Receipts 2018/19 £'000	Expenditure 2018/19 £'000	Balance 31/12/2018 £'000
Housing	3,104	1,321	67	4,358
Education	3,311	1,191	1,274	3,228
Local Economy	0	2,158	0	2,158
Community Facilities	86	39	0	125
Highways	82	0	0	82
Total	6,583	4,709	1,341	9,951

- 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 £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.

- 3.9.2 Appendix E 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 £28.9m on the Growth Fund), and the uncommitted balances as at end of December 2018 stand at £19.3m for the Investment Fund and £10.2m 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 the Strategic Property Service 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:

- Langley Park Boys School (BFS)
- The Highway Primary
- Suitability / Modernisation Issues in School
- Universal Free School Meals
- The Woodland Improvement Programme
- Upgrade of Core Network Hardware
- Replacement of Storage Area Network
- Rollout of Windows 7 and Office 2000
- Replacement of MD110 telephone switch
- Windows Server 2003 Replacement Programme

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 2021/22 onwards.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Approved Capital Programme (Executive 28/11/18) Treasury Management – Annual Investment Strategy 2019/20 (Executive and Resources PDS Committee 07/02/19) The Prudential Code for Capital Finance in Local Authorities (2017 edition) CIPFA publication List of potential capital receipts from strategic property as at 28.01.2019 List of Feasibility monies for property disposal from strategic property as at 28.01.2019