

Decision Maker: Executive
Council

Date: Executive 10th July 2019
Council 15th July 2019

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2019/20

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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 2019/20 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 £45,868k from 2019/20 into future years, and agree a revised Capital Programme;**
- (b) **Approve the following amendments to the Capital Programme:**
 - (i) **Deletion of the £391k residual balance on the Beacon House Refurbishment scheme and increase of £391k to the Basic Need scheme as detailed in paragraph 3.3.2;**
 - (ii) **Deletion of £40k from the Phoenix Centre scheme as detailed in paragraph 3.3.3;**
 - (iii) **Addition of £239k for the Devolved Formula Capital 19/20 scheme as detailed in paragraph 3.3.4; and**
 - (iv) **Increase of £16k for the Banbury House Demolition/Site Preparation scheme as detailed in paragraph 3.3.5.**

- (c) Note that a report elsewhere on the agenda requests the addition of £1.5m to the Capital Programme for Boiler Plant Works;**
- (d) Note that a report elsewhere on the agenda requests the addition of £6.0m to the Capital Programme for the provision of modular homes as detailed in paragraph 3.3.6; and**
- (e) Recommend that Council agrees an increase of £1,922k on Transport for London (TfL) funded Traffic and Highways schemes as detailed in paragraph 3.3.1.**

2.2 Council is requested to:

- (a) Agree an increase of £1,922k on Transport for London (TfL) funded Traffic and Highways schemes as detailed in paragraph 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 3.6m over the 4 years 2019/20 to 2022/23, mainly due to £1,922k increase in TfL funding for Highways and Traffic schemes and the addition of £1,500k for Boiler Plant Works.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £132.2m over 4 years 2019/20 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: 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 This report sets out proposed changes to the Capital Programme following a detailed monitoring exercise carried out after the 1st quarter of 2019/20. The base position is the programme approved by the Executive on 13th February 2019, as amended by variations approved at subsequent Executive meetings. If the changes proposed in this report are approved, the total Capital Programme 2019/20 to 2022/23 would increase by £3,637k, mainly due to the increase of £1,922k to the Transport for London (TfL) funded Traffic and Highways schemes and the addition of £1,500k for new Boiler Plant Works scheme.

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

	2019/20	2020/21	2021/22	2022/23	TOTAL 2019/20 to 2022/23
	£000	£000	£000	£000	£000
Programme approved by Executive 13/02/19	80,385	23,010	3,858	2,240	109,493
Variations approved at subsequent Executive meetings	14,057	5,000	0	0	19,057
Approved Programme prior to 1st Quarter's Monitoring	94,442	28,010	3,858	2,240	128,550
Variations requiring the approval of the Executive	3,637	0	0	0	3,637
Variations not requiring approval:					
Net rephasing from 2019/20 into future years	Cr 45,868	45,868	0	0	0
Total Amendment to the Capital Programme	Cr 42,231	45,868	0	0	3,637
Total Revised Capital Programme	52,211	73,878	3,858	2,240	132,187
Assumed Further Slippage (for financing purposes)	Cr 10,000	Cr 20,000	30,000	0	0
Assumed New Schemes (to be agreed)	0	3,500	3,500	3,500	10,500
	Cr 10,000	Cr 16,500	33,500	3,500	10,500
Projected Programme for Capital Financing Forecast (see appendix C)	42,211	57,378	37,358	5,740	142,687

3.2 Variations approved at subsequent Executive meetings

As detailed in Appendix A, variations totalling £12.2m have been approved since the February Executive meeting. This mainly relates to three schemes; £8.4m for the Provision of Housing supply in Anerley & Chislehurst scheme, £2.2m for Disabled Facilities Grant and £1.3m for the Housing unallocated PIL scheme.

3.3 Variations requiring the approval of the Executive (£3,637k net increase)

3.3.1 Transport for London (TfL) – Highways and Traffic Schemes (£1,922k increase in 2019/20)

Provision for transport schemes is 100% funded by TfL and forms the basis of the bid in the Borough Spending Plan (BSP) for the next 3 years. An increase to the budget for 2019/20 of £1,922k is requested to reflect the allocations provided for this financial year. TfL budgets change frequently and any further variations will be reported in subsequent capital monitoring reports.

3.3.2 Beacon House Refurbishment Scheme (net nil)

This scheme has now completed £391k under budget and Members are requested to approve the removal of this remaining budget. As this scheme was part funded by the Basic Need grant

(the rest being revenue contributions from Dedicated Schools Grant), Members are requested to approve the addition of this amount to the Basic Need scheme.

3.3.3 Phoenix Centre Scheme (£40k reduction in 2019/20)

This scheme was reinstated in 2015/16 as some outstanding requests for payment had been received from NHS Property Services, however no further costs are now anticipated and Members are therefore requested to approve the removal of this amount from the Capital Programme.

3.3.4 Devolved Formula Capital (£239k increase in 2019/20)

A grant of £182k was provided in 2018/19 by the DfE for Devolved Formula Capital (DFC) with a further £57k allocation confirmed for 2019/20 and Members are requested to agree the addition of these amounts to the DFC capital scheme.

3.3.5 Banbury House Demolition/Site Preparation scheme (£16k increase in 2019/20)

The costs for this scheme have exceeded the approved budget of £166k and Members are requested to approve the addition of £16k to the scheme, funded from revenue.

3.3.6 Modular Homes at York Rise (£6.0m addition to the Capital Programme)

A report elsewhere on the agenda requests the addition of £6.0m to the Capital Programme for the provision of modular homes for use as temporary accommodation at the York Rise site. It is proposed that £2.5m is funded from the remaining balance in the Housing Investment Fund, with the remainder of £3.5m funded from the Investment Fund. This has not been reflected in the figures in this report and will be included in the next capital monitoring report.

3.4 Scheme Rephasing

The 2018/19 Capital Outturn was reported to the Executive on 21st May 2019. The final capital outturn for the year was £30.9m compared to a revised budget of £37.8m. The variation of £6.9m was rephased from 2018/19 into 2019/20.

In the quarter 1 monitoring exercise, slippage of £45.9m has been identified and this has been re-phased from 2019/20 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

3.5 Details of the receipts forecast in the years 2019/20 to 2022/23 are included in Appendix E to this report to be considered under part 2 proceedings of the meeting. Actual receipts from asset disposals totalled £12.5m in 2018/19 and were estimated as £14.8m, a decrease of £2.3m from the figure reported to the Executive in February 2019 (£14.8m), mainly due to a site now which is now expected to be used for modular housing.

The latest estimate for 2019/20 has increased to £9.5m from £5.7m reported in February (excluding "other" capital receipts). The estimate for 2020/21 is £15.5m, a decrease of £10.3m to that reported in February 2019. The estimate for 2021/22 has increased to £11.7m from £5.2m, 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

- 3.6 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 £49.3m (General Fund £20.0m and capital receipts £29.3m) at the end of 2018/19 to £17.2m by the end of 2021/22 and remain at that level through to 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 01/04/19	Estimated Balance 31/03/22	Estimated Balance 31/03/26
	£m	£m	£m
General Fund	20.0	17.2	17.2
Capital Receipts	29.3	0.0	0
	<u>49.3</u>	<u>17.2</u>	<u>17.2</u>

Investment Fund and Growth Fund

- 3.7 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 £114.6m have been approved (£85.5m on the Investment Fund, and £29.1m on the Growth Fund), and the uncommitted balances as at the end of June 2019 stand at £19.3m for the Investment Fund and £10.1m for the Growth Fund. As detailed in paragraph 3.3.6 a report elsewhere on the agenda requests an allocation of £3.5m from the Investment Fund for the provision of modular homes. If this is approved, the balance on the Investment Fund will reduce to £15.8m.

The 'Draft 2019/20 Budget and Updated on Council's Financial Strategy 2020/21 to 2022/23' reported to Executive on 16th January 2019 referred to the Growth and Investment Funds and that the monies remaining would now be prioritised for housing investment at this stage.

Feasibility Works – Property Disposals

- 3.8 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 expenditure of £170k has been incurred leaving a remaining budget of £80k for 2019/20.

Section 106 Receipts

3.9 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 £8,372k as at 31st May 2019, and will be used to finance capital expenditure from 2019/20 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

	Balance 31/03/19	Receipts 2019/20	Expenditure 2019/20	Balance 31/05/19
	£'000	£'000	£'000	£'000
Specified capital works				
Housing	3,510	0	67	3,443
Education	2,751	0	125	2,626
Highways	83	0	83	0
Local Economy	2,006	0	0	2,006
Other	0	300	3	297
TOTAL	8,350	300	278	8,372

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

3.10 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:

- Beacon House Refurbishment

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.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Capital Programme Monitoring Q3 2018/19 & Capital Strategy 2019 to 2023, (Executive 13/02/19); Capital Programme Outturn 2018/19 report (Executive 21/05/19).