

Decision Maker: Executive Council

Date: Executive 27th November 2019
Council 9th December 2019

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 2nd 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 2nd 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 £10,323k from 2019/20 into future years and agree a revised Capital Programme (see paragraph 3.3.7);**
- (b) **Approve the following amendments to the Capital Programme:**
 - (i) **Reduction of £177k on Devolved Formula Capital 2019/20 scheme (see para 3.3.1);**
 - (ii) **Deletion of £2k residual balance on Care Home Improvements to Environment for Older People scheme (see para 3.3.2);**
 - (iii) **Increase of £2k on Carbon Management Programme scheme (see para 3.3.3);**
 - (iv) **Recommend that Council approves an increase of £1,208k SEND Provision Capital funding to the Basic Need scheme (see para 3.3.4);**
 - (v) **Increase of £499k on London Private Sector Renewal scheme and £117k on Disabled Facilities Grant scheme to reflect the total funding available (see para 3.3.5); and**

(vi) Recommend that Council approves an increase of £1,385k to the Section 106 receipts from developers - as detailed in paragraph 3.3.6.

2.2 Council is requested to:

- (a) Approve an increase of £1,208k SEND Provision Capital funding to the Basic Need scheme (see para 3.3.4); and**
- (b) Approve an increase of £1,385k to the Section 106 receipts from developers - as detailed in paragraph 3.3.6.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
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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 identifies 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: Total increase of £3,032k over the 4 years 2019/20 to 2022/23, mainly due to £1,208k SEND Provision Capital funding on Basic Need scheme, and additional £1,385k on Section 106 receipts (uncommitted balance) to reflect the funding available.
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: Total £146.6m over 4 years 2019/20 to 2022/23
 5. Source of funding: Capital grants, capital receipts and earmarked revenue contributions
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Personnel

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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Procurement

1. Summary of Procurement Implications: None arising directly from this report
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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 2nd quarter of 2019/20. The base position is the programme approved by the Executive on 10th July 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 £3,032k, mainly due to additional £1,208k SEND Provision Capital funding on Basic Need scheme and £1,385k increase on Section 106 receipts (uncommitted balance) to reflect the funding available.

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 10/07/19	52,211	73,878	3,858	2,240	132,187
Variations approved at subsequent Executive meetings	865	9,414	1,104	0	11,383
Approved Programme prior to 2nd Quarter's Monitoring	53,076	83,292	4,962	2,240	143,570
Variations requiring the approval of the Executive / Council	1,647	1,385	0	0	3,032
Variations not requiring approval:					
Net rephasing from 2019/20 into future years	Cr 10,323	Cr 43,290	24,613	29,000	0
Total Amendment to the Capital Programme	Cr 8,676	Cr 41,905	24,613	29,000	3,032
Total Revised Capital Programme	44,400	41,387	29,575	31,240	146,602
Assumed Further Slippage (for financing purposes)	Cr 5,000	Cr 5,000	5,000	5,000	0
Assumed New Schemes (to be agreed)	0	3,500	3,500	3,500	10,500
	Cr 5,000	Cr 1,500	8,500	8,500	10,500
Projected Programme for Capital Financing Forecast (see appendix C)	39,400	39,887	38,075	39,740	157,102

3.2 Variations approved at subsequent Executive / Full Council meetings

As detailed in Appendix A, variations of £11.383m have been approved since the July Executive meeting. This mainly comprises £6m for Modular Homes at York Rise Site, £3.786m for the Provision of Housing Supply in Burnt Ash Lane, £0.624m (net) on Salix Street Lighting LED upgrade scheme, and £0.822m (net) for Customer Services I.T System Review.

3.3 Variations requiring the approval of the Executive (£3,032k net increase)

3.3.1 Devolved Formula Capital Scheme (£177k decrease in 2019/20)

The Devolved Formula Capital (DFC) scheme is funded by a grant from the Department for Education, which is passed straight onto Council maintained schools. Members are asked to approve a reduction of £177k on the DFC scheme to reflect the funding available in 2019/20.

3.3.2 Care Homes Improvements to Environment for Older People Scheme (£2k reduction in 2019/20)

Following completion of the Care Homes Improvements to Environment for Older People scheme, it is recommended that the residual balance of £2k to be deleted from the Capital Programme.

3.3.3 Carbon Management Programme Scheme (£2k increase in 2019/20)

The Carbon Management Programme Scheme is funded from a revolving loan (£250k from SALIX provided by DEFRA, and £250k from the Council). All remaining projects have completed and all outstanding repayments have now been received. Members are asked to approve an increase of £2k on the scheme to reflect the funding available. The full budget of £500k will be used to partly fund the Salix Street Lighting LED Upgrade, as approved by Full Council on 14th October 2019.

3.3.4 Basic Need Scheme (£1,208k increase in 2019/20)

The Updated Basic Need Programme was reported to the Children, Education and Families PDS Committee on 9th July 2019. The Council has received an additional £1,208k on the 2018 to 2021 allocation for SEND (Special Educational Needs and Disabilities) Provision Capital funding. Members are asked to approve an increase of £1,208k to the Basic Need scheme to reflect the total funding available.

3.3.5 Loan Repayment (Net increase £616k in 2019/20; London Private Sector Renewal Scheme £499k, Disabled Facilities Grant (DFG) Scheme £117k)

The London Private Sector Renewal Scheme is a revolving loan fund provided by the GLA and South East London Housing Partnership (SELHP) to allow Authorities to assist vulnerable home owners to maintain their properties to an adequate condition to allow them to remain safely in their own homes and promote and support empty property work. There is no longer any new money provided by the funders and the scheme now functions on recycled funding.

The Disabled Facilities Grant (DFG) scheme offers essential housing adaptations to help disabled people to access facilities and remain safely in their home. The Council has a charging regime for DFG's above £5k where, in the event of the sale of a property within 10 years of completion of the works, an element of the grant is refunded to the Council.

Following a reconciliation of a number of significant repayments and recoveries from previous years, Members are asked to approve a net increase of £616k in 2019/20; £499k on the London Private Sector Renewal Scheme and £117k on the Disabled Facilities Grant Scheme to reflect the total accumulated funding available. This includes repayments of £31k on Home improvement loans, £94k on Empty Homes grant, £374k on SELHP grant, and £117k on DFG renovation grant repayments.

3.3.6 Section 106 receipts (uncommitted balance) (net increase of £1,385k in 2020/21)

In July 2015, Executive agreed that the Capital Programme budget should reflect the total of S106 receipts available to fund expenditure. Members are asked to agree a net increase of £1,385k in the Capital Programme budget for Education Section 106 in respect of additional receipts since the last report.

A further report on the Updated Basic Need Programme (see paragraph 3.3.4) will be submitted to Executive within this financial year and will request approval to allocate the Education Section 106 receipts available to specific projects, in accordance with the Section 106 agreements.

3.3.7 Scheme Rephasing

In the quarter 2 monitoring exercise, slippage of £10.3m from 2019/20 and £43.3m from 2020/21 has been identified and this has been re-phased 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 2019/20 to 2022/23 are included in Appendix E to this report to be considered under part 2 proceedings of the meeting.

The latest estimate for 2019/20 has decreased to £7.5m from £9.5m reported in July (excluding “other” capital receipts). Estimates for 2020/21, 2021/22, 2022/23 are now £5.7m, £20.6m and £9.3m respectively (£15.5m, £11.7m and £9.3m were 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 do not 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 £49.3m (General Fund £20.0m and capital receipts £29.3m) at the end of 2018/19 to £20.8m by the end of 2022/23 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 31/03/23	Estimated Balance 31/03/26
	£m	£m	£m
General Fund	20.0	20.8	20.8
Capital Receipts	29.3	0.0	0.0
	<u>49.3</u>	<u>20.8</u>	<u>20.8</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 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 £121.5m have been approved (£92.3m on the Investment Fund, and £29.2m on the Growth Fund), and the uncommitted balances as at the end of October 2019 stand at £12.5m for the Investment Fund and £10.0m for the Growth Fund.

Feasibility Works – Property Disposals

- 3.7 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.

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 three more estimated for April 2020 onwards. To date expenditure of £171k has been incurred leaving a remaining budget of £79k.

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 £8,876k as at 30th September 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 30/09/19
	£'000	£'000	£'000	£'000
Specified capital works				
Housing	3,510	0	67	3,443
Education	2,751	533	125	3,159
Highways	83	0	83	0
Local Economy	2,006	0	0	2,006
Other	0	300	32	268
TOTAL	8,350	833	307	8,876

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:

- Banbury House Demolition/Site Prep
- Review of Corporate Customer Services IT System
- Upgrade of MS Dynamics CRM System
- Care Homes – improvements to environment for older people

- Performance Management/Children's Services IT scheme
- Widmore Centre
- Beacon House Refurbishment
- Phoenix Centre
- 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 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 Q1 2019/20 (Executive 10/07/19); Approved Capital Programme (Executive 10/07/19); Salix Street Lighting LED upgrade (Full Council 14/10/19); Basic Need Programme Update (Children, Education and Families Policy Development and Scrutiny Committee 09/07/19)