

Decision Maker: Leader of the Council

Date: For Pre-Decision Scrutiny by ERC PDS Committee on 27 May 2020

Decision Type: Non-Urgent Executive Key

Title: CAPITAL PROGRAMME OUTTURN 2019/20

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

1.1 This report sets out the final outturn on capital expenditure and receipts for 2019/20. Capital expenditure in the year was £23.4m, compared to the final approved budget of £30.9m, resulting in a total net variation of Cr £7.5m. For funding purposes, £5.0m slippage was assumed in the Quarter 3 capital monitoring report, so there was an overall variation of Cr £2.5m in the use of capital receipts and external and revenue contributions.

2. **RECOMMENDATIONS**

2.1 **The Leader is requested to:**

(a) Note the report;

(b) Approve the following amendments to the Capital Programme for 2020/21:

- (i) Increase of £800k to the Bromley Town Centre Improvements capital scheme, as agreed by the Executive on April 1st, as detailed in paragraph 3.2.1;
- (ii) Addition of £250k to the capital programme for Children's Centres, as agreed by the Executive on April 1st, as detailed in paragraph 3.2.2;
- (iii) Approve the increase of £2,153k to the Disabled Facilities Grant scheme to reflect the 2020/21 allocation as detailed in paragraph 3.2.3;
- (iv) Approve the increase of £1,442k to the Capital Maintenance in Schools capital scheme to reflect the allocations for 2017/18, 2018/19 and 2019/20 as detailed in paragraph 3.2.4;

Impact on Vulnerable Adults and Children:

1. Summary of Impact: None arising from this report.

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:

Financial

1. Cost of proposal: Not Applicable: No additional cost.
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Capital Programme
4. Total current budget for this head: £30.9m in 2019/20
5. Source of funding: Capital receipts, external grants/contributions & revenue contributions

Personnel

1. Number of staff (current and additional): 1 fte
2. If from existing staff resources, number of staff hours: 36 hours per week

Legal

1. Legal Requirement: Non-Statutory - Government Guidance
2. Call-in: Applicable

Procurement:

1. Summary of Procurement Implications: None arising from this report.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Capital Programme Outturn 2019/20

3.1.1 The final capital outturn for the year was £23.4m, compared to the final revised budget of £30.9m. The total net variation is Cr £7.5m, which is primarily due to slippage in Children, Education & Families Portfolio (Cr £2.4m) and Environment & Community Services Portfolio (Cr £3.9m) as summarised in the table below:

Portfolio	Latest	Final	Variation	
	Approved Budget 2019/20	Outturn 2019/20	2019/20	
	£m	£m	£m	
Children, Education & Families Portfolio	10.3	7.9	Cr	2.4
Adult Care & Health Portfolio	0.1	0.3		0.2
Environment & Community Services Portfolio	9.3	5.3	Cr	4.0
Renewal, Recreation & Housing Portfolio	7.2	6.3	Cr	0.9
Executive, Resources & Contracts Portfolio	4.0	3.6	Cr	0.4
Latest approved Capital Programme	30.9	23.4	Cr	7.5
Less: further slippage assumed for financing purposes	Cr 5.0	-		5.0
	25.9	23.4	Cr	2.5

3.1.2 These slippages will be re-phased into 2020/21 as shown in Appendix 1. The variations detailed in sections 3 to 7 have arisen since the 3rd quarter capital monitoring report.

3.1.3 As set out in the Capital Programme Monitoring (3rd quarter) report to Executive on 12th February 2020, further slippage of £5.0m was assumed for financing purposes, however the significant slippage during the final quarter has resulted in a variation in the overall use of capital receipts, external grants/contributions and revenue contributions of Cr £2.5m.

3.2 Variations requiring approval (£4,545k net increase)

3.2.1 Bromley High St (£800k increase in 2020/21)

At its meeting on April 1st the Executive approved an increase of £800k to the existing capital scheme for Bromley High St Improvements to be funded from the Growth Fund. The Leader is asked to formally agree to increase the capital estimate by this amount.

3.2.2 Future Proofing the Local Authority's five Children's Centres (£250k increase in 2020/21)

At its meeting on April 1st the Executive approved the capital buds for the five Children and Family centres at a cost of £1.42m, which is an increase of £250k to the capital scheme. The Leader is asked to formally agree to include this increased amount in the capital programme.

3.2.3 Disabled Facilities Grant scheme (£2,153k increase in 2020/21)

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 for 2020/21 totals £2,153k. 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. The Leader is requested to agree the addition of £2,153k to the DFG capital scheme to reflect this grant allocation.

3.2.4 Capital Maintenance in Schools (£1,442k increase in 2020/21)

At its meeting on April 1st the Executive agreed to add the School Condition Allocation (SCA) allocations for 2017/18, 2018/19 and 2019/20 totalling £1,442k to the Capital Maintenance in Schools capital programme. The Leader is requested to agree the addition of £1,442k to the School Condition Allocation capital scheme to reflect this grant allocation.

3.3 **Children, Education & Families Portfolio**

3.3.1 The slippage for Education, Children & Families Portfolio which has occurred since the third quarter monitoring is £2.4m against a total budget of £10.3m. This is mainly due to £2.1m on the Basic Need Programme, due mainly to the start date of the works at Trinity CE Primary School moving from 2019/20 to 2020/21 and re-phasing of ongoing works at Bromley Beacon Academy and Stewart Fleming Primary School. All variations have been re-phased into 2020/21.

3.4 **Adult Care & Health Portfolio**

3.4.1 The variation for Adult Care & Health Portfolio schemes was Dr £0.2m against a budget of £0.1m. This is due to accelerated spend of ££0.3m for the Social Care Case management scheme; this will reduce the 2020/21 budget available.

3.5 **Environment & Community Services Portfolio**

3.5.1 There was overall slippage of £4.0m since the third quarter monitoring on schemes in the Environment & Community Services Portfolio compared to a total portfolio budget of £9.3m. There was slippage of £1.0m on the Highways Investment scheme to allow further condition assessments to be completed for the final phase of the project, and approved by the Portfolio Holder, this will allow the investment project to be completed during 2020/21, and slippage of £0.6m on the Central Wall Depot.

3.5.2 There was also slippage of £0.5m on the LIP Formula Funding scheme due to delays in design works being agreed as well as works then being planned for quieter periods so as to affect motorists as little as possible. In addition, there was slippage of £0.5m slippage on the Salix Street Lighting scheme due to scheme delays. Slippage on other schemes totalled a further £1.2m.

3.6 **Renewal, Recreation & Housing Portfolio**

3.6.1 There was net slippage of £1.0m on the capital schemes in the Renewal, Recreation & Housing Portfolio from a total portfolio budget of £7.2m, mainly due to slippage of £0.7m on the West Wickham Leisure Centre scheme, and £0.5m slippage on the Modular Housing scheme due to programme changes, partly offset by accelerated expenditure on a few other schemes.

3.7 **Executive, Resources & Contracts Portfolio**

3.7.1 There was overall slippage of £0.4m on schemes in the Executive, Resources & Contracts portfolio compared to a total portfolio budget of £4m.

3.8 **Block Capital Provisions**

3.8.1 The outturn position for 2019/20 block capital provisions is shown in the table below:

	Budget 2019/20 £'000	Actuals 2019/20 £'000	Variance 2019/20 £'000
Resources, Commissioning & Contracts Management			
Emergency Works on Surplus Sites	124	18 Cr	106
Adult Care and Health			
Disabled Facilities Grants - DFG	1,619	1,591 Cr	28
Total	1,743	1,609 Cr	134

3.9 Financing of the Capital Programme

3.9.1 The financing of 2019/20 capital expenditure is compared below with the estimates reported in the third quarter capital monitoring:

Source of Finance	Budget £m	Actuals £m	Variation £m
Final approved budget	30.9		
Less - assumed slippage for financing purposes	Cr 5.0		
Total Capital Expenditure (net of slippage)	25.9	23.4 Cr	2.5
Financed By			
Usable Receipts	0.9	6.6	5.7
Revenue Contributions	4.7	0.0 Cr	4.7
Government Grants	12.1	9.8 Cr	2.3
Other Contributions	8.2	7.0 Cr	1.2
Total	25.9	23.4 Cr	2.5

3.9.2 During 2019/20, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2019, November 2019 and February 2020, and reported changes have been incorporated in revised approved Capital Programmes. These have similarly been reported quarterly to individual PDS Committees. For information, Appendix 2 provides a comparison between the latest approved budget and the original approved budget for the year (agreed in February 2019).

3.10 Capital Receipts

3.10.1 Under the “prudential” capital system in operation from 1st April 2004, most capital receipts are “usable” and may be applied to finance capital expenditure. The final outturn in 2019/20 for new capital receipts from asset disposals was £1.7m, and was lower than the estimated figure reported to the Executive in February 2020 (£3.6m).

3.10.2 The table below provides a breakdown of the unapplied capital receipts totalling £24.4m that will be carried forward to finance expenditure in 2020/21 and later years. £6.6m was applied for financing capital expenditure during 2019/20 as revenue contributions, external and other contributions covered the majority of the total capital expenditure. As has been the case for the last fifteen years, no contribution from the General Fund was required in 2019/20. To date, £20.3m of capital receipts have been earmarked to supplement the Investment Fund for the purchase of investment properties, of which £4.4m has been utilised to date, leaving £15.9m, so a total of £8.5m remains available to finance capital expenditure in future years.

	Usable Receipts £m
Unapplied Balance b/f April 2019	29.3
Total Receipts during 2019/20	1.7
Receipts applied to finance expenditure	Cr 6.6
Unapplied Balance c/f as at 31 March 2020	24.4
Receipts earmarked for Investment Properties	Cr 15.9
Balance available to fund future expenditure	8.5

3.11 Section 106 Receipts

3.11.1 In addition to capital receipts, the Council is holding a significant sum in respect of Section 106 capital contributions received from developers in recent years. 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. Section 106 receipts are held as a receipt in advance on the Council's balance sheet, the balance of which increased from £8,350k as at 31st March 2019 to £8,381k as at 31st March 2020, as more receipts were used to finance actual capital expenditure than those that were received. The remaining balance will be used to finance capital expenditure from 2020/21 onwards. Balances and in-year movements are shown in the following table.

Agreed Service Area	Balance b/f 01/04/19 £'000	Receipts 2019/20 £'000	Expenditure 2019/19 £'000	Balance c/f 31/03/20 £'000
Housing Provision	3,510	13	115	3,408
Education	2,751	1,287	0	4,038
Highways	83	0	83	0
Local Economy	2,006	1,525	2,600	931
Other	0	300	296	4
Total	8,350	3,125	3,094	8,381

3.11.2 The Leader is asked to note that a sum of £2m of s106 receipts has previously been received in relation to s106 obligations on the Langley Court development. At its meeting on March 22nd 2016 the Executive agreed that any of the £4m of s106 monies received would be used to fund the Bromley High Street Improvements capital scheme in place of funds that had initially been allocated from the Growth Fund. The Leader is asked to note that this funding switch will be applied.

3.12 Investment Fund and Growth Fund

3.12.1 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 £84.5m has been placed in the Investment Fund earmarked reserve, with a further £20.3m of capital receipts earmarked to supplement this, and £39.2m placed in the Growth Fund earmarked reserve.

3.12.2 Appendix 3 provides a detailed analysis of the Funds dating back to their inception in September 2011. To date schemes totalling £119m have been approved (£92.3m on the Investment Fund, and £26.5m on the Growth Fund), and the uncommitted balances as at end of March 2020 stand at £12.5m for the Investment Fund and £12.7m for the Growth Fund.

4. POLICY IMPLICATIONS

- 4.1 Capital Programme monitoring 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 is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. 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".

5. FINANCIAL IMPLICATIONS

- 5.1 There was no requirement for a General Fund contribution to finance capital expenditure in 2019/20, although there were earmarked revenue contributions totalling £1.1m towards the cost of specific capital schemes from the Growth Fund for Site G related acquisitions (£1.1m). The provisional revenue outturn is reported elsewhere on the agenda.
- 5.2 Capital receipts totalling £24.4m were available as at 31st March 2020 to finance future capital spending priorities compared to an estimate of £32m in February. This is mainly due to a lower level of capital receipts received during the year than anticipated. Capital grants and contributions totalling £29.5m and Section 106 receipts of £8.4m also remain available to finance future capital spend.
- 5.3 Post-completion reports on capital schemes have been (and will continue to be) submitted to PDS Committees within 12 months of completion. A revised Capital Programme and capital financing statement will be included in the next quarterly monitoring report to be considered at the July meeting.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Provisional Final Accounts 2019/20, Executive May 2020; Capital Programme Monitoring Q3 2019/20 & Capital Strategy 2020 to 2024, Executive 12 th February 2020; Capital Programme Monitoring Q3 2018/19 & Annual Capital Review 2019 to 2023, Executive 13 th February 2019