

**Decision Maker:** **Executive Council**

**Date:** **Executive 10<sup>th</sup> February 2021**  
**Council 1<sup>st</sup> March 2021**

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

**Title:** **CAPITAL PROGRAMME MONITORING Q3 2020/21 & CAPITAL STRATEGY 2021 TO 2025**

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**Chief Officer:** Director of Finance

**Ward:** All

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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 2020/21 and presents for approval the new capital schemes in the annual capital review process. The Executive is asked to consider the updated Capital Strategy and approve 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 re-phasing of £3,764k from 2020/21 into future years, and agree a revised Capital Programme;
- (b) Approve the following amendments to the Capital Programme:
  - (i) Increase of £290k to the Disabled Facilities Grant (see para 3.3.1)
- (c) Recommend to Council:
  - (i) The inclusion of the new scheme proposals listed in Appendix C in the Capital Programme (see section 3.6)

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 3.6)

## 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 "Building a Better Bromley".
  2. BBB Priority: Excellent Council
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## Financial

1. Cost of proposal: Estimated Cost: Total net increase of £6.4m over the 5 years 2020/21 to 2024/25, mainly due to the additional capital bids outlined in this report
  2. Ongoing costs: Not Applicable
  3. Budget head/performance centre: Capital Programme
  4. Total current budget for this head: Total £144.7m over 5 years 2020/21 to 2024/25
  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 3<sup>rd</sup> quarter of 2020/21 and seeks approval for the new capital schemes submitted as part of the 2020 annual capital review process. The report is divided into two distinct parts; the first (sections 3.2 – 3.4) looks at the Q3 monitoring exercise and the second (sections 3.5 & 3.6) includes details of the capital strategy update and 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 Leader on 18th November 2020, as amended by variations approved at subsequent meetings. If all the changes proposed in this report are approved, the total Capital Programme 2020/21 to 2024/25 would increase by £6,375k, mainly due to new capital bids. Estimated expenditure in 2020/21 will reduce by £5,351k due to £3,764k re-phasing of expenditure from 2020/21 into future years, the net reduction of £1,877k previously approved by the Leader and the increase of £290k to the DFG budget (see para 3.3.1 below). 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.

	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL 2020/21 to 2024/25
	£000	£000	£000	£000	£000	£000
Programme approved by the Leader 18/11/20	51,417	55,095	31,420	2,240	0	140,172
Variations approved by the Leader at subsequent meetings	Cr 1,877	0	0	0	0	Cr 1,877
Approved Programme prior to 3rd Quarter's Monitoring	49,540	55,095	31,420	2,240	0	138,295
Variations requiring the approval of the Executive (Appendix A)						
Disabled Facilities Grant	290	135	0	0	0	425
Variations not requiring approval of Executive:						
Net rephasing from 2020/21 into future years	Cr 3,764	3,156	329	279	0	0
<b>Total Q3 Monitoring variations</b>	Cr 3,474	3,291	329	279	0	425
New Schemes (Appendix C)	0	2,485	1,225	0	2,240	5,950
<b>TOTAL REVISED CAPITAL PROGRAMME</b>	<b>46,066</b>	<b>60,871</b>	<b>32,974</b>	<b>2,519</b>	<b>2,240</b>	<b>144,670</b>
Assumed Further Slippage (for financing purposes)	Cr 15,000	Cr 25,000	Cr 5,000	25,000	20,000	0
Assumed New Schemes (to be agreed)	0	0	3,500	3,500	3,500	10,500
	Cr 15,000	Cr 25,000	Cr 1,500	28,500	23,500	10,500
<b>Total revised expenditure to be financed</b>	<b>31,066</b>	<b>35,871</b>	<b>31,474</b>	<b>31,019</b>	<b>25,740</b>	<b>155,170</b>

#### 3.2 Variations approved by the Leader at subsequent meetings (£1,877k total net decrease)

Following pre-decision scrutiny at the meeting of the Renewal, Recreation and Housing PDS Committee on 25<sup>th</sup> November 2020, the Leader has approved revised capital estimates for three housing schemes. At the meeting an additional £476k for Housing Supply in Burnt Ash Lane was agreed, as well as a reduction of £2,153k for the Housing Supply schemes in Anerley & Chislehurst (Bushell Way). Furthermore, at its meeting on November 18<sup>th</sup>, the Executive, Resources and Contracts Policy Development and Scrutiny Committee agreed that the capital programme for a replacement financial system capital scheme would be reduced by £200k to reflect an anticipated reduction in the required budget.

#### 3.3 Variations requiring the approval of the Executive (£425k net increase)

##### 3.3.1 Disabled Facilities Grant (DFG) (£290k increase to 2020/21 budget)

This extra DFG funding is to help support local authorities to deliver more home adaptations for those people with disabilities who qualify for a DFG, and approval is sought to add this to the capital programme.

### 3.3.2 Section 106 receipts (uncommitted balance) (net increase of £135k in 2021/22)

In July 2015 the Executive agreed that the Capital Programme budget should reflect the total amount of s106 receipts available to fund expenditure. The Executive is asked to agree a net increase of £135k in the capital programme for Education s106 in respect of additional receipts received since the last report.

### 3.4 Scheme Re-phasings

3.4.1 As part of the 3<sup>rd</sup> quarter monitoring exercise, a total of £3,764k has been re-phased from 2020/21 into 2021/22 and later years to reflect revised estimates of when expenditure is likely to be incurred. The largest element of these is £2.4m relating to the Basic Need Scheme.

3.4.2 Other schemes rephased into future financial years include the Glebe School expansion programme (£382k), the Capital Maintenance in School (£200k), the Seed Challenge Fund (£100k) and the Customer Service IT System Replacement (£465k). This has no overall impact on the total approved estimate for the capital programme. Further details and comments are provided in Appendix B.

### 3.5 **Capital Strategy update and Annual Capital Review – new scheme proposals**

#### **Capital Strategy update**

3.5.1 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 its capital, investment (and any borrowing) are prudent and sustainable.

3.5.2 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.

3.5.3 An annual review of the Capital Programme is undertaken as outlined in section 3.6. 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.

3.5.4 In recent years, the Council has steadily scaled down new capital expenditure plans and has transferred all 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 £44.4m (including unapplied capital receipts) as at 31st March 2020. The Council's asset disposal programme

has diminished, and as set out in section 3.8, it is currently projected that these balances will be around £13.8m by 2028.

- 3.5.5 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 have been fully explored.
- 3.5.6 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, Resources & Contracts PDS Committee on February 3<sup>rd</sup> 2021, prior to submission for Council approval on March 1st 2021.
- 3.5.7 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.
- 3.5.8 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.

### **3.6 Annual Capital Review: new scheme proposals - (£5,950k total net addition)**

- 3.6.1 As part of the normal annual review of the Capital Programme, Chief Officers were invited to present bids for new capital investment. Apart than the regular annual capital bids (TfL-funded Highway and Traffic schemes and Feasibility Studies) three other bids were submitted, which are summarised in paras 3.6.2 to 3.6.4 below, and outlined in Appendix C. The total amount of funding required from Council resources is £3,750k. 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.

#### **3.6.2 Winter Maintenance Service - £350k**

This capital estimate will continue the programmed replacement of gritting vehicles and various equipment used for winter service and snow clearance. The selection of suitable equipment will initially focus on replacing three front-line gritters that will further update the fleet, to become compliant for the London Low Emission Zone. This proposal underpins the provision of an effective response to winter weather conditions in the Borough in order to meet statutory duties and to ensure the highway provides a safe means of travel for all users and residents in the borough. No external funding has been identified for this programme, and therefore the Council's own resources will need to be used to finance the scheme.

#### **3.6.3 HR/Payroll System Replacement - £1,650k**

This capital estimate will cover the cost to procure and implement a new integrated HR/Payroll System to replace the existing Resourcelink, HR Self Service System & Reporting Functionality. The current HR/Payroll software and support contract ends in June 2023 however to allow for time for parallel run testing of payroll results in new software, any new system needs to be ready for January 2023. No external funding has been identified for this programme, and therefore the Council's own resources will need to be used. The provisional sum of £1,650k has been set aside in the capital programme for planning purposes, however the release of these monies will be subject to a future report to the Executive for approval of the final scheme. Further details are provided in Appendix H.

### 3.6.4 Civic Centre Improvement - £1,710k

This capital estimate will cover essential works to the building fabric to ensure continued enjoyment of the accommodation. Roofing, windows and pavements are essential to ensure the continued smooth operation of the Civic Centre for staff and visitors and fire detection and prevention works will ensure continued safety. No external funding has been identified for this programme, and therefore the Council's own resources will need to be used to finance the scheme. The provisional sum of £1,710k has been set aside in the capital programme for planning purposes, however the release of these monies will be subject to a future report to the Executive for approval of the final scheme. Further details are provided in Appendix H.

## 3.7 Capital Receipts

3.7.1 Details of the receipts forecast in the years 2020/21 to 2023/24 are included in Appendix F to this report to be considered under Part 2 proceedings of the meeting. The latest estimate for 2020/21 has increased to £1,045k compared to what was reported in November (excluding "other" capital receipts). The estimate for 2021/22 has decreased by £1.950m in comparison to what was reported in November. A total of £5m per annum is assumed for receipts yet to be identified in later years.

3.7.2 There are a number of sites (Burnt Ash Lane, Bushell Way, Anerley car park, York Rise, West Wickham car park & Chipperfield Road) that were previously assumed for disposal, but the intention is now to transfer these to the Housing Revenue Account and for them to be used for housing purposes. This will lead to additional headroom for capital expenditure in the General Fund, being equivalent to a capital receipt of that value.

## 3.8 Financing of the Capital Programme

3.8.1 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 increase from £44.4m (General Fund £20.0m and capital receipts £24.4m) at the end of 2019/20 to £50.9 by the end of 2022/23 and then reduce to £13.8m by the end of 2027/28. 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.

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Total Capital Expenditure	31,066	35,871	31,474	31,019	25,740	155,170
Financed by:						
Usable Receipts	1,365	6,144	10,050	28,490	3,211	49,259
Revenue Contributions	8,266	4,882	329	329	329	14,135
Government Grants	11,122	20,346	2,500	0	0	33,967
Other Contributions	10,314	4,500	2,200	2,200	2,200	21,414
Internal Borrowing			16,395			16,395
General Fund	0	6 0	0	0	20,000	20,000
<b>Total</b>	<b>31,066</b>	<b>35,871</b>	<b>31,474</b>	<b>31,019</b>	<b>25,740</b>	<b>155,170</b>

General Fund  
Capital Receipts

3.8.  
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A

summary of how the capital programme will be financed is shown in the table below with further detail provided in Appendix D.

### 3.9 Section 106 Receipts

- 3.9.1 In addition to capital receipts from asset disposals, the Council is holding several 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 £8,516k as at 31st December 2020 as shown in the table below, and will be used to finance capital expenditure from 2020/21 onwards:

<b>Specified Capital Works</b>	<b>Balance 31/03/2020 £'000</b>	<b>Receipts 2020/21 £'000</b>	<b>Receipts 21/22 £'000</b>	<b>Balance 31/12/2020 £'000</b>
Housing	3,407	0	0	3,407
Education	4,037	135	0	4,172
Local Economy	932	0	0	932
Community Facilities	0	0	0	0
Highways	0	0	0	0
Other	6	0	0	6
<b>Total</b>	<b>8,382</b>	<b>135</b>	<b>0</b>	<b>8,517</b>

- 3.9.2 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.

### 3.10 Investment Fund and Growth Fund

- 3.10.1 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 £84.50m 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. Appendix E 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 the

end of October 2020 stand at £12.5m for the Investment Fund and £12.7m for the Growth Fund.

### **3.11 Feasibility Works – Property Disposals**

- 3.11.1 At its meeting on 24<sup>th</sup> May 2017, the 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.
- 3.11.2 Members requested that an update from the Strategic Property Service be included in quarterly capital monitoring report, this is provided in Appendix G.

### **3.12 Post-Completion Reports**

- 3.12.1 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
- Universal Free School Meals
- The Woodland Improvements Programme
- Upgrade of Core Network Hardware
- Replacement of Storage Area Network
- Rollout of Windows 7 and Office 2000
- Replacement MD110 Telephone Switch
- Windows Server 2003 Replacement Programme
- Beacon House Refurbishment
- 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
- Manorfield- Temporary Accommodation
- Carbon Management Programme (Invest to Save funding)

## **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 2022/23 onwards.



<b>Non-Applicable Sections:</b>	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	<p>Approved Capital Programme (Leader 18/11/20)</p> <p>Treasury Management – Annual Investment Strategy 2020/21 (Executive and Resources PDS Committee 03/02/21)</p> <p>The Prudential Code for Capital Finance in Local Authorities (2017 edition) CIPFA publication</p> <p>List of potential capital receipts from strategic property as at 19.01.2021</p> <p>List of Feasibility monies for property disposal from strategic property as at 19.01.2021</p>