

Decision Maker: Executive
Council

Date: Executive July 15th 2021
Council October 18th 2021

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2021/22

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Ward: All

1. Reason for report

This report summarises the current position on capital expenditure and receipts following the 1st quarter of 2021/22 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 re-phasing of £17,525k from 2021/22 into future years, and agree a revised Capital Programme.
- (b) Approve the following amendments to the Capital Programme:
 - (i) Increase of £2,451k to the Basic Needs capital scheme (see para 3.3.1)

2.2 Council is requested to:

- (a) Approve the increase of £2,451k to the Basic Needs capital scheme (see para 3.3.1)

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:(insert further details) Total estimated increase of £2.451k over the four years 2021/22 to 2024/25, due to the increase of £2,451k to the Basic Needs capital scheme.
2. Ongoing costs: Not Applicable (insert further details)
3. Budget head/performance centre: Capital Programme
4. Total current budget for this head: Total £129.8m over 4 years 2021/22 to 2024/25
5. Source of funding: Capital grants, capital receipts and earmarked revenue contributions

Personnel

1. Number of staff (current and additional): 1FTE
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: Not 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? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Capital Expenditure

- 3.1 Appendix A sets out the proposed changes to the Capital Programme following a monitoring exercise carried out after the 1st quarter of 2021/22. The base position is the programme approved by the Executive on 10th February 2021, as amended by variations approved at subsequent Executive meetings. Should the changes proposed in this report be approved, the total Capital Programme 2021/22 to 2024/25 would increase by £2,451k over the four years 2021/22 to 2024/25, due to an increase of £2,451k to the Basic Needs capital scheme.

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

	2021/22	2022/23	2023/24	2024/25	TOTAL 2021/22 to 2024/25
	£000	£000	£000	£000	£000
Programme approved by Executive 10/02/21	60,871	32,974	2,519	2,240	98,604
Variations approved at subsequent Executive meetings	28,770				28,770
Approved Programme prior to 1st Quarter's Monitoring	89,641	32,974	2,519	2,240	127,374
Variations requiring the approval of the Executive					0
Basic Needs		2,451			2,451
Variations not requiring approval:					
Net rephasing from 2021/22 into future years	Cr 17,525	12,987	3,437	1,101	0
Total Amendment to the Capital Programme	Cr 17,525	15,438	3,437	1,101	2,451
Total Revised Capital Programme	72,116	48,412	5,956	3,341	129,825
Assumed Further Slippage (for financing purposes)	Cr 40,000	Cr 10,000	15,000	15,000	Cr 20,000
Assumed New Schemes (to be agreed)	0	3,500	3,500	3,500	10,500
	Cr 40,000	Cr 6,500	18,500	18,500	Cr 9,500
Projected Programme for Capital Financing Forecast (see Appendix C)	32,116	41,912	24,456	21,841	120,325

3.2 Variations approved at subsequent Executive meetings

On 30th June 2021 the Executive approved variations totalling £2,449k for a number of schemes; an increase of £2,443k for Disabled Facilities Grant, an increase of £65k for the Crystal Palace Park Regeneration capital scheme and a £59k decrease in the Crystal Palace Subway Capital Scheme.

3.3 Variations requiring the approval of the Executive (£2,451k net increase)

3.3.1 Basic Needs grant (£2,451k increase to the budget in 2022/23)

A grant of £2,451k for High Needs Provision will be received for 2022/23 therefore approval is sought to add this to the Basic Needs capital scheme. The Council will receive the funding to create new places for children with Education Health and Care Plans in schools, academies, and alternative provision. The funding will enable the Council to meet the need for specialist and alternative provision places and ensure that existing facilities meet pupil needs. This could be by contributing to the cost of creating an extending existing school or by improving accessibility, such as installing ramps, handrails, or ceiling hoists. The funding is part of the government's commitment to ensuring pupils with SEND receive the specialist support they need to get an excellent education.

3.3.2 Scheme Re-phasing

The 2020/21 Capital Outturn was reported to the Executive on 30th June 2021. The final capital outturn for the year was £19.7m compared to a revised budget of £46.1m. The variation of £26.3m was re-phased from 2020/21 into 2021/22.

In the quarter 1 monitoring exercise, slippage of £17,525k has been identified and this has been re-phased from 2021/22 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.

The remaining budget of £42k Early Education for Two Year Olds is being transferred to the Basic Needs scheme to contribute towards the costs of the early years foundation stage works completed as part of the expansion of Poverest Primary School.

3.3.3 Impact of Covid-19

The impact of Covid-19 has been reflected in the Q1 capital monitoring where the impact is known. Projected slippage on certain capital schemes due to disruption caused by the Covid-19 pandemic is outlined in Appendix B. It is currently anticipated that there will be a delay in progressing with property disposals due to the existing economic climate, and the projected impact on forecast capital receipts is outlined in Appendix E to this report to be considered under part 2 proceedings. Further updates will be provided in future capital monitoring reports.

Capital Receipts

- 3.4 Details of the receipts forecast in the years 2021/22 to 2024/25 are included in Appendix C to this report to be considered under part 2 proceedings of the meeting. Actual receipts from asset disposals totalled £1.9m in 2020/21 and was lower than the estimated figure from the figure reported to the Executive in February 2021 (£3.9m).

The latest estimate for 2021/22 is the same as it was reported in February 2021 (excluding "other" capital receipts). The estimate for 2022/23 is £0.25m lower than reported in February 2021, and the estimate for 2023/24 is the same as reported in February 2021. A total of £5m per annum is assumed for receipts yet to be identified in later years.

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 assumptions on the level and timing of disposals. Total balances would reduce from £45.3m (General Fund £20.0m and capital receipts £25.3m) at the end of 2020/21 to £38.6m by the end of 2023/24 (General Fund £20.0m and capital receipts £18.6m) and would then decrease to £13.9m 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.

	Balance 01/04/21	Estimated Balance 31/03/24	Estimated Balance 31/03/28
	£m	£m	£m
General Fund	20.0	20.0	7.4
Capital Receipts	25.3	18.6	6.5
	<u>45.3</u>	<u>38.6</u>	<u>13.9</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 £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 D 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 June 2021 stand at £12.5m for the Investment Fund and £12.7m 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.
- 3.8 Members requested that an update from Strategic Property be included in quarterly capital monitoring reports, and the latest update is provided in Appendix F.

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 £7,394k as at 31st May 2021, and will be used to finance capital expenditure from 2021/22 onwards. The current position on capital Section 106 receipts (excluding commitments) is shown below:

	Balance 31/03/21	Receipts 2020/21	Expenditure 2020/21	Balance 31/05/21
	£'000	£'000	£'000	£'000
Specified capital works				
Housing	2,412	40	0	2,452
Education	4,145	89	0	4,234
Highways	0	20	0	20
Local Economy	686	0	0	686
Other	2	0	0	2
TOTAL	7,245	149	0	7,394

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:

- 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 of MD110 Telephone Switch
- Windows Server 2003 Replacement Programme
- Beacon House Refurbishment
- 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

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 2020/21 & Capital Strategy 2021 to 2025, (Executive 10/02/21). Capital Programme Outturn 2020/21 (Executive 30/06/21).