
Decision Maker: EXECUTIVE
COUNCIL

Date: Executive November 24th 2021
Council December 6th 2021

Decision Type: Non-Urgent Executive Non-Key

Title: CAPITAL PROGRAMME MONITORING – 2nd 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 2nd 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 £339k from 2021/22 into future years, and agree a revised Capital Programme.
- (b) Approve the following amendments to the Capital Programme (paragraph 3.3)
 - (i) Increase of £57k in relation to Formula Devolved Grant
 - (ii) Increase of £375k for Schools Capital Maintenance
 - (iii) £12k decrease in relation to the Scadbury Park Moated Manor Scheme
 - (iv) Increase of £130k for additional costs on the Anerley and Bushell Way Housing Scheme
 - (v) Increase of £98k for additional costs on the Burnt Ash Lane Housing Scheme
 - (vi) Increase of £536k for additional costs related to the Liquid Logic implementation.

2.2 Council is requested to approve the increase of £1,184k to the Capital Programme (paragraph 3.3)

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: Total estimated increase of £1,184k over the four years 2021/22 to 2024/25.
2. Ongoing costs: Not Applicable
3. Budget head/performance centre: Capital Programme
4. Total current budget for this head: Total £134.1m 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 2nd quarter of 2021/22. The base position is the programme approved by the Executive on 15th July 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 £1,184k over the four years 2021/22 to 2024/25.

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

Variations on individual schemes	2020/21 £'000	Revised 2021/22 £'000	Revised 2022/23 £'000	Revised 2023/24 £'000	Revised 2024/25 £'000	TOTAL 2021/22 to 2024/25 £'000
Current Approved Capital Programme						
Programme approved by Executive 15/07/2021	19,745	72,116	48,412	5,956	3,341	149,570
CRM Replacement Project				Cr 197		Cr 197
Community Cycle Track		93				93
Street Lighting Led Conversion (Invest to Save)		1,438	1,726			3,164
Approved Programme prior to 2nd Quarter's Monitorin	19,745	73,647	50,138	5,759	3,341	132,885
Variations in the estimated cost of approved schemes						
(i) Variations requiring the approval of the Executive						
Formula Devolved Capital 2.1a		57				
Scadbury Park Moated Manor		-12				
Schools Capital Maintenance (Basic Need)		375				
Additional costs: Anerley and Bushell Way		130				
Additional costs: Burnt Ash Lane		98				
Liquid Logic:additional costs		536				
	0	1,184	0	0	0	0
(ii) Variations not requiring approval						
Net rephasing from 2021/22 into future years		Cr 339	339	0	0	0
	0	Cr 339	339	0	0	0
TOTAL AMENDMENT TO CAPITAL PROGRAMME	0	845	339	0	0	0
Add: Proposed new schemes	0	0	0	0	0	0
	0	0	0	0	0	0
TOTAL REVISED CAPITAL PROGRAMME	19,745	74,492	50,477	5,759	3,341	134,069
Less: Further slippage projection		Cr40,000	Cr 10,000	15,000	15,000	Cr 20,000
Add: Estimate for further new schemes			3,500	3,500	3,500	10,500
TOTAL TO BE FINANCED	19,745	34,492	43,977	24,259	21,841	124,569

3.2 Variations approved at subsequent Executive meetings

On 15th July the Executive approved a variation of £3,164k for a new Street Lighting LED Conversion (Invest to Save) Scheme. Subsequently, on 22nd September, the Executive approved a £197k decrease in the CRM Replacement Project and a £93k increase in the Community Cycle Track Scheme.

3.3 Variations requiring the approval of the Executive (£1,184k net increase)

- (i) Formula devolved capital £57k increase. This reflects receipt of a grant from the government, which is passed straight on to Council maintained schools.
- (ii) Schools Capital Maintenance (Basic Need) £375k increase. This reflects the allocation of capital funding to support capital maintenance in schools.

- (iii) Scadbury Park Moated Manor £12k decrease. As a result of this contract award report and update on the HE grant award for the Capital Programme scheme for Scadbury Park Moated Manor (917257), the total available funding for the scheme reduces to £143k from £155k and therefore the capital programme will need adjusting downwards in next quarterly monitoring.
- (iv) Housing Programme (Anerley and Bushell Way) £130k increase. Since approval of the schemes, there have been additional costs owing to a rise in material costs, additional legal fees incurred due to compensation as a result of right to light and the cost of a build over agreement required with Thames Water and costs arising from the UKPN upgrades required.
- (v) Housing Programme (Burnt Ash Lane) £98k increase. The site is now nearing completion, but due to changes from UK Power Networks (UKPN), the housing site now requires a new substation for the development to be able to be completed. This change is a result of other developments occurring in the area that have required more power than when plans were originally submitted to UKPN. This is unforeseen work was not originally budgeted for and will require an additional £98k of funding from Section 106 Affordable Housing funds.
- (vi) Liquid Logic £536k increase. This relates to the implementation of Liquid Logic, the Council's new Social Care Information Management System. As a result of the challenges of working from home during the pandemic, additional capital funding of is sought to enable specialist resources to be engaged to meet the additional demand for user training and post 'go-live' support. This includes, for example, the provision of 'Covid safe' user training via MS Teams which is most effective in smaller groups, but more challenging than classroom learning for user understanding and information retention. The increase of £536k reflects two separate agreed allocations of £350k and £186k from the Contain Outbreak Management Fund.

3.4 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.

- 3.5 In this quarter's monitoring exercise, slippage of £339k 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.

3.6 Impact of Covid-19

The impact of Covid-19 was reflected in the first quarter's capital monitoring where the impact was known; projected slippage across a number of schemes resulted in rephasing totalling £17,525k. Additionally, the pandemic is also likely to delay property disposals due to the prevailing 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

- 3.7 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 of £3.9m reported to the Executive in February 2021.

- 3.8 The latest estimates for 2021/22 and 2022/23 are unchanged from February 2021 (excluding “other” capital receipts). A total of £5m per annum is assumed for receipts yet to be identified in later years.

Financing of the Capital Programme

- 3.9 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 £34.7m by the end of 2023/24 (General Fund £20.0m and capital receipts £14.7m) and would then decrease to £10m 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	14.7	2.6
	<u>45.3</u>	<u>34.7</u>	<u>10.0</u>

Investment Fund and Growth Fund

- 3.10 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.
- 3.11 Appendix D provides a detailed analysis of the Funds dating back to their inception in September 2011. To date, schemes totalling £119.4m have been approved (£92.3m on the Investment Fund, and £27.1m on the Growth Fund), and the uncommitted balances as at the end of October 2021 stand at £12.5m for the Investment Fund and £12m for the Growth Fund.

Feasibility Works – Property Disposals

- 3.12 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.
- 3.13 Members requested that an update from Strategic Property be included in quarterly capital monitoring reports. This information, which remains unchanged from July’s update, provided in Appendix F.

Section 106 Receipts

- 3.14 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 £7,411k as at 30th September 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 in the following table:

	Balance 31/3/21 £'000	Receipts 2021/22 £'000	Expenditure 2021/22 £'000	Balance 30/09/21 £'000
Specified Capital Works				
Housing	2412	40	0	2452
Education	4145	106	0	4251
Highways	0	20	0	20
Local Economy	686	0	0	686
Other	2	0	0	2
TOTAL	7245	166	0	7411

3.15 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

3.16 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:

- 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
- Care Homes – improvements to environment for older people
- Early Education for Two-Year-Olds
- 30 Hour Funded Childcare IT Solution
- 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).