

Report No.
FSD22057

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **Executive**

Date: **Executive 29th June 2022**

Decision Type: Non-Urgent Executive Key

Title: **CAPITAL PROGRAMME OUTTURN 2021/22**

Contact Officer: Sean Cosgrove, Principal Accountant
Tel: 020 8313 3195 E-mail: sean.cosgrove@bromley.gov.uk

Chief Officer: Peter Turner, Director of Finance
Tel: 020 8313 4668 E-mail: peter.turner@bromley.gov.uk

Ward: All

1. Reason for report

This report sets out the final outturn on capital expenditure and receipts for 2021/22. Capital expenditure in the year was £19.3m, compared to the final approved budget of £73.6m, resulting in a total net variation of Cr £54.3m. For funding purposes, £40.0m slippage was assumed in the quarter 3 capital monitoring report, so there was an overall variation of Cr £14.3m in the use of capital receipts and external and revenue contributions.

2. **RECOMMENDATION(S)**

2.1 **The Executive is requested to note the report which details the capital outturn position for 2021/22.**

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 Corporate Strategy.
 2. BBB Priority: Excellent Council
-

Financial

1. Cost of proposal: Not Applicable: No additional cost
 2. Ongoing costs: Not Applicable: no additional cost.
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: £73.6m in 2021/22
 5. Source of funding: Capital grants, capital receipts and earmarked revenue contributions
-

Staff

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

Legal

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

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 2021/22

3.1.1 The final capital outturn for the year was £19.3m, compared to the final revised budget of £73.6m. The total net variation is Cr £54.3m, which is primarily due to slippage in the Renewal, Recreation & Housing portfolio (Cr £24.2m), the Executive, Resources and Contracts portfolio (Cr £17.9m) and the Children, Education & Families portfolio (Cr £9.2m) as summarised in the table below:

Portfolio	Latest approved budget 21/22	Final outturn 21/22	Variance 21/22
	£m	£m	£m
Adult Care and Health	< 0.1	0.0	Cr < 0.1
Children, Education and Families	9.4	0.2	Cr 9.2
Environment and Community Services	6.5	3.6	Cr 2.9
Renewal, Recreation and Housing	36.4	12.2	Cr 24.2
Resources, Commissioning and Contracts Management	21.2	3.3	Cr 17.9
Latest approved capital programme	73.7	19.3	Cr 54.3
Less: further slippages assumed for financing	Cr 40.0	0.0	40.0
	33.7	19.3	Cr 14.3

3.1.2 These slippages will be re-phased into 2022/23 as shown in Appendix A.

3.1.3 As set out in the capital programme monitoring (quarter 3) report to the Executive on 9 February 2022, further slippage of £40.0m was assumed for financing purposes. However, additional slippage during the final quarter has resulted in a variation in the overall use of capital receipts, external grants and contributions, and revenue contributions of Cr £14.3m.

3.2 Adult Care and Health portfolio

3.2.1 Underspend of less than £0.1m against a budget of less than £0.1m.

3.3 Children, Education and Families portfolio

3.3.1 Slippage of £9.2m against a total budget of £9.4m. This is mainly due to £2.5m of underspend on the s106 for education (unallocated) scheme. The Capital Maintenance in schools programme also underspent by £1.8m because the £0.9m contribution towards the Marjorie McClure project being delivered by the DfE as agreed by the Executive on 1 April 2020 has not yet been requested by the DfE; while the Transforming Children's and Family Centres scheme underspent by £1.1m. The capital programme in previous quarters had reprofiled Basic Need funding into 2021/22 due to an anticipated in-year underspend. Although the Basic Need programme did underspend compared to the budget at the start of 2021/22, that underspend was slightly lower than projected. All variations have been re-phased into 2022/23.

3.4 Environment and Community Services portfolio

3.4.1 There was overall slippage of £2.9m compared to a total portfolio budget of £6.5m. There was slippage of £1.4m on the Street Lighting Invest to Save Initiative (2021) scheme. There was also an overspend of £1.0m on the LIP Formula Funding scheme as work caught up with delays in earlier periods. Other TfL-funded schemes saw a total slippage of £2.3m.

3.5 Renewal, Recreation and Housing portfolio

3.5.1 There was net slippage of £24.2m against a total portfolio budget of £36.4m, mainly due to total slippage of £11.7m on Site G; and £4.9m on the York Rise and Burnt Ash Lane housing schemes due to scheme delays, partially offset by an overspend of £3.0m on the Anerley housing schemes as earlier slippage was caught up. These variations have been re-phased into 2022/23. There was slippage on the Affordable Housing (Unallocated) scheme, caused by ongoing development of plans in conjunction with housing association partners to identify suitable schemes. Due to Covid there was also slippage of £1.6m on the Bromley High Street Improvements scheme, as the project progressed more slowly than originally anticipated. There was also net slippage of £4.7m on the Disabled Facilities Grant schemes, £0.9m on the Crystal Palace Park subway scheme and £0.6m on the West Wickham Leisure Centre scheme.

3.6 Resources, Commissioning and Contracts Management portfolio

3.6.1 There was overall slippage of £17.9m against a total portfolio budget of £21.2m. There was slippage of £5.5m on the Property Investment Fund scheme, and £9.5m on the Civic Centre Development Strategy, £0.8m slippage on the HR/Payroll System Replacement scheme, plus a further £1.0m on IT Transformation.

3.7 Block capital provisions:

3.7.1 The outturn position for 2021/22 is shown in the table below:

Portfolio and Scheme	Latest approved budget 21/22	Final outturn 21/22	Variance 21/22
	£'000	£'000	£'000
Adult Care and Health			
Disabled Facilities Grant (DFG)	3,282	2,312	Cr 970
Resources, Commissioning and Contracts Management			
Emergency Works on Surplus Sites	76	0	Cr 76
Latest approved capital programme	3,358	2,312	Cr 1,046

3.8 Financing of the capital programme

3.8.1 The financing of 2021/22 capital expenditure is compared below with the estimates reported in the third quarter capital monitoring:

Source of finance	Latest approved budget 21/22	Final outturn 21/22	Variance 21/22
	£m	£m	£m
Final approved budget	73.7	19.3	Cr 54.3
Less assumed slippage for financing purposes	Cr 40.0	0.0	40.0
Total capital expenditure (net of slippage)	33.7	19.3	Cr 14.3
Financed by:			
Usable receipts	20.0	6.6	Cr 13.4
Revenue contributions	5.7	3.7	Cr 2.0
Government grants	4.6	2.7	Cr 1.9
Other contributions	3.4	6.3	2.9
Total	33.7	19.3	Cr 14.3

3.8.2 During 2021/22, capital monitoring reports have been considered by the Executive on a quarterly basis, in July 2021, November 2021 and February 2022, and reported changes have been incorporated in revised approved capital programmes. These have similarly been reported quarterly to individual PDS committees. For information, Appendix B provides a comparison between the latest approved budget and the original approved budget for the year (agreed in February 2021).

3.9 Capital receipts

3.9.1 Under the “prudential” capital system in operation from 1 April 2004, most capital receipts are “usable” and may be applied to finance capital expenditure. The final outturn in 2021/22 for new capital receipts from asset disposals was £10.0m in line with the estimated figure reported to the Executive in February 2022 (£11.8m).

3.9.2 The table below provides a breakdown of the unapplied capital receipts totalling £25.2m that will be carried forward to finance expenditure in 2022/23 and later years. £10.3m was applied for financing capital expenditure during 2021/22 as revenue contributions, external and other contributions covered the majority of the total capital expenditure. As has been the case for the last sixteen years, no contribution from the General Fund was required in 2021/22. 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, meaning a total of £9.0m remains available to finance capital expenditure in future years.

Usable receipts	£m
Unapplied balance b/f 01 Apr 2021	25.2
Total receipts during 2021/22	10.0
Receipts applied to finance expenditure	Cr 6.6
Unapplied balance c/f 31 Mar 2022	28.6
Receipts earmarked for investment properties	Cr 15.9
Balance available to fund future expenditure	12.7

3.10 Section 106 receipts

3.10.1 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 £7.4m as at 31 March 2021 to £8.2m as at 31 March 2022, as more receipts were received than were used to finance actual capital expenditure. The balance will be used to finance capital expenditure from 2022/23 onwards. Balances and in-year movements are shown in the following table.

Agreed service area	Bal b/f 01/04/21	Receipts 21/22	Exp. 21/22	Bal c/f 31/03/22
	£'000	£'000	£'000	£'000
Housing provision	Cr 2,452	0	0	Cr 2,452
Education	Cr 4,234	Cr 844	0	Cr 5,078
Highways	Cr 20	0	0	Cr 20
Local economy	Cr 686	0	0	Cr 686
Other	0	0	0	0
Total	Cr 7,392	Cr 844	0	Cr 8,236

3.11 Investment Fund and Growth Fund

3.11.1 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.

3.11.2 Appendix C 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 end of March 2022 stand at £12.5m for the Investment Fund and £12.0m 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 2021/22, although there were earmarked revenue contributions totalling £3.7m towards the cost of specific capital schemes from the Growth Fund, Technology Fund, Housing Investment Fund and Infrastructure Investment Fund. The provisional revenue outturn is reported elsewhere on the agenda.

5.2 Capital receipts totalling £28.5m were available as at 31 March 2022 to finance future capital spending priorities. Capital grants and contributions totalling £34.3m and Section 106 receipts of £8.2m 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 twelve months of completion. A revised capital programme and capital financing statement will be included in the next quarterly monitoring report.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	Capital Programme Monitoring 3rd Quarter (Executive 09/02/22) Treasury Management – Annual Investment Strategy 2022/23 (Executive and Resources PDS Committee 02/02/21) The Prudential Code for Capital Finance in Local Authorities (2017 edition) CIPFA publication